



August 11, 2014,

Greetings,

Thank you for your interest in ACT Theatre. We are pleased to make available the audited financial statements for fiscal year 2013. I'm also glad to provide additional insight into the status of ACT's financial performance. Following this letter you will find the complete audit, prepared by the accounting firm of Clark Nuber, P.S.

The financial portfolio of ACT Theatre contains three separate, related entities: ACT Theatre produces and presents theatre; Eagles Theatre Center manages the landmark building; ACT Foundation receives and invests endowment contributions for the benefit of ACT Theatre. Because the three organizations share some common board members and common management, the accompanying audited financial statements consolidate all three entities. Pages 15 – 18 break out the performance of each entity.

In 2013 ACT began a multi-year major gifts campaign. The goal of the campaign is to support **ACT for the Future**, to ensure ACT is financially secure and able to provide artistic and education programs for generations to come. The campaign will **1)** eliminate long-standing debt; **2)** create working capital reserves to provide an internal source of funds to meet the cash flow needs of the theatre's normal business cycle; **3)** and fund deferred building maintenance, including carpet replacement, terra cotta repair, and upgrading the HVAC system. Successful completion of items one and two will result in an immediate return to theatre operations by reducing current annual debt service expense by approximately \$180,000 per year.

The accompanying audited financial statements include contributions to and expenses for this major gifts campaign, in addition to normal annual theatre operations. Because it is in the beginning phase of a three-year timeline, expenses for the campaign exceeded campaign revenue in 2013.

During 2013, ACT stabilized its cash flow by obtaining a two-year loan backed by the building and paid down its line of credit by \$290,000. At the beginning of 2014, ACT Foundation's assets were invested in long-term investments for the benefit of ACT operations and we made the final payment on a long-term loan. ACT began 2014 current with accounts payable.

A two-year comparison shows ACT consistently improving gross revenue performance. From 2011 to 2013 the combined net increase was \$219,693. ACT was steadfast in our response to running a deficit in 2012, correcting course by reducing the 2013 operating budget by \$1M. However, we remained nimble enough to continue to offer a full season of high quality programming and we were successful in maintaining audiences. We also hired experienced staff in Development and Finance.

In the current year, ACT's building is operating at full capacity. Both April and June featured weeks where four different productions were taking place simultaneously in the building, highlighted by a record-setting *Little Shop of Horrors* (with the 5<sup>th</sup> Avenue Theatre) which ran for 14 weeks and exceeded budgeted revenue by 130%. We also launched a new fundraising program called ACT Partners, to incentivize an increase in patron donations.

Looking ahead, the 2015 season celebrates 50 years of ACT. Planning is under way to maximize growth in audience development and to publicly launch the **ACT for the Future** campaign. We invite our investors and supporters to celebrate and honor the accomplishments and contributions that ACT has made, providing a place for artists and audiences to create a vibrant community.

Sincerely,

Carlo Scandiuzzi, Executive Director