

**RIALTO SQUARE THEATRE FOUNDATION  
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)**

**COMPONENT UNIT  
FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

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To the Board of Directors  
Rialto Square Theatre Foundation  
Joliet, Illinois

### Independent Auditor's Report

We have audited the accompanying financial statements of Rialto Square Theatre Foundation (an Illinois not-for-profit corporation), a component unit of Will County Metropolitan Exposition and Auditorium Authority, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rialto Square Theatre Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of organization data on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wormer, Rogers, Duman & Arizon, L.L.C.*

June 26, 2017

## RIALTO SQUARE THEATRE FOUNDATION

### Statements of Financial Position June 30,

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>		
Cash	\$ 193,029	\$ 154,025
Pledges Receivable - Current	8,200	11,133
Accrued Interest Receivable	4	5
Grant Advance	9,456	9,456
Inventory	9,362	9,847
Due from WCMEAA	<u>166,193</u>	<u>224,511</u>
Total Current Assets	<u>386,244</u>	<u>408,977</u>
<b>Non-Current Assets</b>		
Endowment Investments	1,083,399	1,091,828
Pledges Receivable - Non-Current	<u>-</u>	<u>6,707</u>
Total Non-Current Assets	<u>1,083,399</u>	<u>1,098,535</u>
Total Assets	<u>\$ 1,469,643</u>	<u>\$ 1,507,512</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Custodial Accounts	\$ 110,848	\$ 116,674
Due to WCMEAA	43,589	73,624
Deferred Revenue	<u>2,098</u>	<u>2,598</u>
Total Current Liabilities and Total Liabilities	<u>156,535</u>	<u>192,896</u>
<b>Net Assets</b>		
Unrestricted	304,935	312,680
Permanently Restricted	<u>1,008,173</u>	<u>1,001,936</u>
Total Net Assets	<u>1,313,108</u>	<u>1,314,616</u>
Total Liabilities and Net Assets	<u>\$ 1,469,643</u>	<u>\$ 1,507,512</u>

The Accompanying Notes are an Integral Part of These Statements.

## RIALTO SQUARE THEATRE FOUNDATION

Statements of Activities  
For the Years Ended June 30,

CHANGES IN UNRESTRICTED NET ASSETS	<u>2016</u>	<u>2015</u>
<b>Support and Revenue:</b>		
<b>Direct Support</b>		
Grants	\$ 48,268	\$ 29,550
Fundraising, Net	85,828	36,819
Sustaining Fund	52,403	69,960
Donations	<u>48,129</u>	<u>67,036</u>
Total Direct Support	<u>234,628</u>	<u>203,365</u>
<b>Revenue</b>		
Dividends	8,831	13,468
Other Income	12,714	13,902
Interest	121	133
Net Realized and Unrealized Gain on Long-Term Investments	<u>7,117</u>	<u>3,294</u>
Total Revenue	<u>28,783</u>	<u>30,797</u>
<b>Net Assets Released from Restrictions</b>	<u>-</u>	<u>9,999</u>
Total Support and Revenue	<u>263,411</u>	<u>244,161</u>
<b>Expenses</b>		
Program Services	240,590	269,217
Support Services		
Management and General	26,052	26,275
Fundraising	<u>4,514</u>	<u>11,040</u>
Total Expenses	<u>271,156</u>	<u>306,532</u>
(Decrease) in Unrestricted Net Assets	<u>( 7,745)</u>	<u>( 62,371)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

	<u>2016</u>	<u>2015</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
<b>Net Assets Released from Restrictions</b>	\$ -	(\$ 9,999)
(Decrease) in Temporarily Restricted Net Assets	<u>-</u>	<u>( 9,999)</u>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>		
<b>Direct Support</b>		
Fundraising, Net	( 754)	7,528
Endowment Donations	1,168	13,655
Preservation Dues	<u>5,823</u>	<u>7,773</u>
Increase in Permanently Restricted Net Assets	<u>6,237</u>	<u>28,956</u>
Increase (Decrease) in Net Assets	( 1,508)	( 43,414)
<b>Net Assets, Beginning of Year</b>	<u>1,314,616</u>	<u>1,358,030</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,313,108</u>	<u>\$ 1,314,616</u>

## RIALTO SQUARE THEATRE FOUNDATION

Statement of Functional Expenses  
For the Year Ended June 30, 2016

	Program Services	Support Services	
		Management and General	Fund Raising
Support to Primary Government	\$ 240,590	\$ -	\$ -
Professional Fees	-	6,400	-
Office Supplies	-	3,687	-
Development Expenditures	-	-	134
Sustaining Fund Expenditures	-	-	4,380
Trust Fees	-	8,652	-
Conferences and Meetings	-	150	-
Insurance	-	636	-
Printing	-	509	-
Souvenir	-	534	-
Miscellaneous	-	5,484	-
<b>Total Functional Expenses</b>	<b>\$ 240,590</b>	<b>\$ 26,052</b>	<b>\$ 4,514</b>

Statement of Functional Expenses  
For the Year Ended June 30, 2015

	Program Services	Support Services	
		Management and General	Fund Raising
Support to Primary Government	\$ 269,217	\$ -	\$ -
Professional Fees	-	7,800	-
Office Supplies	-	2,773	-
Development Expenditures	-	-	2,541
Sustaining Fund Expenditures	-	-	8,371
Trust Fees	-	12,139	-
Conferences and Meetings	-	383	-
Insurance	-	626	-
Souvenir	-	-	128
Miscellaneous	-	2,554	-
<b>Total Functional Expenses</b>	<b>\$ 269,217</b>	<b>\$ 26,275</b>	<b>\$ 11,040</b>

The Accompanying Notes are an Integral Part of These Statements.



<u>Total Support Services</u>	<u>Total</u>
\$ -	\$ 240,590
6,400	6,400
3,687	3,687
134	134
4,380	4,380
8,652	8,652
150	150
636	636
509	509
534	534
<u>5,484</u>	<u>5,484</u>
<u>\$ 30,566</u>	<u>\$ 271,156</u>

<u>Total Support Services</u>	<u>Total</u>
\$ -	\$ 269,217
7,800	7,800
2,773	2,773
2,541	2,541
8,371	8,371
12,139	12,139
383	383
626	626
128	128
<u>2,554</u>	<u>2,554</u>
<u>\$ 37,315</u>	<u>\$ 306,532</u>

## RIALTO SQUARE THEATRE FOUNDATION

Statements of Cash Flows  
For the Years Ended June 30,

<u>Increase (Decrease) in Cash</u>	2016	2015
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in Net Assets	(\$ 1,508)	(\$ 43,414)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Unrealized (Appreciation) on Investments	( 7,117)	( 3,294)
Changes in Assets and Liabilities		
Pledges Receivable	9,640	65,262
Accrued Interest Receivable	1	( 3)
Inventory	485	62
Due from WCMEAA	58,318	33,484
Custodial Accounts	( 5,826)	( 19,157)
Due to WCMEAA	( 30,035)	( 173,911)
Deferred Revenue	( 500)	( 8,799)
Total Adjustments	24,966	( 106,356)
Net Cash Provided by (Used in) Operating Activities	23,458	( 149,770)
<b>Cash Flows from Investing Activities</b>		
Purchase of Investments	( 155,113)	( 210,475)
Proceeds from Sale of Investments	170,659	335,065
Net Cash Provided by Investing Activities	15,546	124,590
<b>Net Increase (Decrease) in Cash</b>	39,004	( 25,180)
<b>Cash, Beginning of Year</b>	154,025	179,205
<b>Cash, End of Year</b>	\$ 193,029	\$ 154,025

The Accompanying Notes are an Integral Part of These Statements.

# RIALTO SQUARE THEATRE FOUNDATION

Notes to Financial Statements  
June 30, 2016

## 1. Summary of Significant Accounting Policies

### *Organization*

The Rialto Square Theatre Foundation ("RSTF" or "Foundation") was established January 1, 1989 by the Will County Metropolitan Exposition and Auditorium Authority (WCMEAA). WCMEAA is a unit of local government created by the State of Illinois in 1978 and is the owner of the Rialto Square Theatre Complex, a grouping of commercial, office and theatre buildings in Joliet, Illinois. The RSTF currently has a 15 member Board of Directors.

The WCMEAA with the assistance of several community leaders and professional consultants, worked to establish RSTF to manage the theatre operations. As of January 1, 1994, the role of RSTF was significantly modified. This modification is a result of an agreement between WCMEAA and the City of Joliet. The revised purpose of RSTF is to conduct fundraising. All other activities that were the responsibility of the RSTF are now performed by the WCMEAA.

### *Financial Reporting Entity*

Accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board, defines a financial reporting entity and other entities that qualify as potential component units. The criterion for an entity to be a component unit of another entity (primary government) is for that primary government entity to have responsibility to oversee, this responsibility includes but is not limited to the following considerations: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; accountability for fiscal matters; the scope of an organization's public service; and/or special financing relationships.

Based on the above criterion, the Rialto Square Theatre Foundation, for the year ended June 30, 2016, has met the definition as a component unit of the Will County Metropolitan Exposition and Auditorium Authority. The considerations for the Rialto Square Theatre Foundation to be a component unit of the Will County Metropolitan Exposition and Auditorium Authority are: ability to significantly influence operations and accountability for financial matters.

### *Income Taxes*

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Foundation currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Foundation is not considered a private foundation.

Annually, the Foundation files Form 990, *Return of Organizations Exempt from Income Tax*, with the Internal Revenue Service. This form is open for public inspection. The Foundation believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

# RIALTO SQUARE THEATRE FOUNDATION

Notes to Financial Statements  
June 30, 2016

## 1. Summary of Significant Accounting Policies

### ***Accounting Basis***

Assets and liabilities and revenues and expenses are accounted for on the accrual basis.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimated amounts.

### ***Endowment Investments***

Endowment investments consists of all donor restricted endowment contributions as well as any undistributed earnings. Earnings of the fund are unrestricted and may be used as directed by the Foundation Board of Directors. The endowment investments had net income of \$14,900 and \$23,955 for the years ended June 30, 2016 and 2015, respectively. These amounts include trust fees of \$8,364 and \$11,819 for the years ended June 30, 2016 and 2015, respectively.

### ***Cash Equivalents***

Cash equivalents consist of short-term, highly liquid investments that are readily convertible into cash within ninety days of purchase. Cash and cash equivalents are presented on both the Statement of Financial Position and the Statement of Cash Flows as "Cash".

### ***Investments***

Investments of the Foundation are stated at fair value (See note 4). Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. Unrealized gains and losses are included in the change in net assets.

### ***Inventory***

Inventories represent souvenirs for sale purchased by the Rialto Square Theatre Volunteers Organization. Inventories are stated at the lower of cost (first-in, first-out basis) or market.

### ***Custodial Accounts***

Custodial accounts are presented as a liability on the balance sheet. They represent amounts on deposit of the Rialto Square Theatre Volunteers Organization. The Rialto Square Theatre Volunteers Organization and Fund was established by the Board of Directors of the Rialto Square Theatre Foundation. The purpose of the organization is to provide volunteer manpower and to promote and support programs of the Rialto Square Theatre. The income generated is transferred to the Will County Metropolitan Exposition and Auditorium Authority to be used as directed by the Volunteer Board of Directors. At June 30, 2016, \$123,788 included in "Cash" represents volunteer funds.

# RIALTO SQUARE THEATRE FOUNDATION

Notes to Financial Statements  
June 30, 2016

## 1. Summary of Significant Accounting Policies

### *Deferred Revenue*

Deferred revenue at June 30, 2016 consists of sponsorship revenues outstanding for Arts in Education.

### *Revenue Recognition*

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending upon the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. An allowance for uncollectible pledges has not been recorded. Pledges for contributions are recorded as received. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

### *Functional Expenses*

Functional expenses have been allocated between program services and supporting services based on a method developed by the Foundation.

## 2. Restrictions on Assets

Temporarily restricted net assets consist of contributions for capital purchases and pledges to be received in future periods. Permanently restricted net assets consist of Endowment fund contributions.

## 3. Pledges Receivable

Unconditional pledges receivable are as follows:

	June 30,	
	2016	2015
Receivable in Less Than One Year	\$ 8,200	\$ 11,133
Receivable in One to Five Years	-	7,600
Total Unconditional Pledges Receivable	8,200	18,733
Less Discounts to Net Present Value	-	893
Net Uncollected Promises to Give	<u>\$ 8,200</u>	<u>\$ 17,840</u>

A 4% discount rate was used to present value long-term pledges receivable.

## RIALTO SQUARE THEATRE FOUNDATION

Notes to Financial Statements  
June 30, 2016

### 4. Endowment Investments

Endowment Investments at year-end are as follows:

	2016		2015	
	Cost	Market Value	Cost	Market Value
Money Market	\$ 88,802	\$ 88,802	\$ 109,803	\$ 109,803
Government Money				
Market Funds	13,560	13,560	15,434	15,434
Equities	21,926	25,403	24,207	25,657
Mutual Funds	155,683	170,918	121,831	145,179
Fixed Income Mutual Funds	176,119	175,245	129,128	197,458
First Midwest Equity Funds	276,064	285,376	272,788	298,410
First Midwest Fixed Income Funds	<u>317,016</u>	<u>324,095</u>	<u>374,040</u>	<u>299,887</u>
 Total Investments	 <u>\$ 1,049,170</u>	 <u>\$ 1,083,399</u>	 <u>\$ 1,047,231</u>	 <u>\$ 1,091,828</u>

The RSTF's investment policy requires that long-term investments may only be invested in:

- 1) Common stocks, with primary emphasis on high quality, investment grade, dividend-paying stocks in companies that are financially sound.
- 2) U.S. treasury securities, commercial paper rated A-1 or P-1, and money market securities.
- 3) Securities rated in the three highest categories by Moody's Investors Service or Standard and Poor's corporation.

Accounting principles generally accepted in the United States of America provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in active markets;

## RIALTO SQUARE THEATRE FOUNDATION

Notes to Financial Statements  
June 30, 2016

### 4. Endowment Investments

- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following descriptions of the valuation methods and assumptions used by the Foundation to estimate the fair values of investments apply to investments held directly by the Foundation.

*Mutual Funds:* The fair values of mutual fund investments are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs).

*Private Bank Mutual Funds:* The fair values of private bank mutual funds are determined by fund managers based on the quoted prices of the underlying assets (level 2 inputs). Funds consist of investments with quoted prices on nationally recognized securities exchanges. The funds provide for daily redemptions by the Foundation at reported unit value, with no advance notification required.

*Money Market:* Fair values of money market deposit account balances have been determined based upon their quoted redemption prices and recent transaction prices of \$1.00 per share (level 2 inputs), with no discounts for credit quality or liquidity restrictions.

Each year, the investing plan will include a spending rate. Annual distributions may not exceed 5% equities of the fund balance after adjusting for inflation.

## RIALTO SQUARE THEATRE FOUNDATION

Notes to Financial Statements  
June 30, 2016

### 4. Endowment Investments

The following are the major categories of assets measured at fair value on a recurring basis in the financial statements as of June 30, 2016 and 2015, respectively:

	Level 1	Level 2	Level 3	Total
Equities	\$ 25,403	\$ -	\$ -	\$ 25,403
Government Money Market Funds	13,560	-	-	13,560
Mutual Funds	-	170,918	-	170,918
Fixed Income Mutual Funds	-	175,245	-	175,245
First Midwest Funds:				
Domestic Equity Funds	-	285,376	-	285,376
Fixed Income Funds	-	324,095	-	324,095
Money Market	88,802	-	-	88,802
	<u>\$ 127,765</u>	<u>\$ 955,634</u>	<u>\$ -</u>	<u>\$ 1,083,399</u>

	Level 1	Level 2	Level 3	Total
Equities	25,657	-	-	25,657
Government Money Market Funds	15,434	-	-	15,434
Mutual Funds	-	145,179	-	145,179
Fixed Income Mutual Funds	-	197,458	-	197,458
First Midwest Funds:				
Domestic Equity Funds	-	298,410	-	298,410
Fixed Income Funds	-	299,887	-	299,887
Money Market	109,803	-	-	109,803
	<u>\$ 150,894</u>	<u>\$ 940,934</u>	<u>\$ -</u>	<u>\$ 1,091,828</u>

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	Unrestricted	Permanently Restricted	Total Endowment Net Assets
Endowment Net Assets, Beginning of Year	\$ 91,052	\$ 1,001,936	\$ 1,092,988
Contributions	-	6,237	6,237
Investment Income	16,945	-	16,945
Net Appreciation	6,319	-	6,319
WCMEAA Transfers to Endowment	32,250	-	32,250
Interest Appropriated to General Fund	( 47,000)	-	( 47,000)
Trust Fees	( 8,364)	-	( 8,364)
Administrative Expenses	( 37)	-	( 37)
Endowment Net Assets, End of Year	<u>\$ 91,165</u>	<u>\$ 1,008,173</u>	<u>\$ 1,099,338</u>



## RIALTO SQUARE THEATRE FOUNDATION

Notes to Financial Statements  
June 30, 2016

### 4. Endowment Investments

#### *Implementation of FSP FAS 117-1*

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" (FSP FAS 117-1). FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds of a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management Institutional Funds Act of 2006 (UPMIFA). FSP FAS 117-1 also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Illinois enacted UPMIFA effective June 30, 2009, the provisions of which apply to endowment funds existing or established after that date. The Foundation adopted FSP FAS 117-1 for the year ending June 30, 2011. The board of directors has determined that the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

### 5. Return on Investments

Return on investments consists of the following:

	June 30,	
	2016	2015
Interest Earned on Cash Equivalents	\$ 121	\$ 133
Dividends and Interest	21,545	27,370
Unrealized Gain, Net	7,117	3,294
Management Fees	( 8,652)	( 12,139)
Return on Investments	\$ 20,131	\$ 18,658

#### *Reconciliation of Above Note to Statement of Activities:*

	June 30,	
	2016	2015
Dividends	\$ 8,831	\$ 13,468
Other Income	12,714	13,902
Interest	121	133
Management and General - Trust Fees	( 8,652)	( 12,139)
Net Unrealized and Realized Gain on Long-Term Investments	7,117	3,294
Return on Investments	\$ 20,131	\$ 18,658

### 6. Transactions with Primary Government

During the current year, the Rialto Square Theatre Foundation transferred \$284,351 (net) to the Will County Metropolitan Exposition and Auditorium Authority (Primary Government). Of that amount, \$1,778 was transferred from the RSTF agency fund to purchase equipment.

## RIALTO SQUARE THEATRE FOUNDATION

Notes to Financial Statements  
June 30, 2016

### **7. Donated Services**

The Foundation receives a significant amount of donated services from unpaid volunteers. No amounts have been recognized because the criteria for recognition under ASC 958-605 have not been satisfied.

### **8. Subsequent Events**

Subsequent events were evaluated through June 26, 2017 which is the date the financial statements were available to be issued.

# RIALTO SQUARE THEATRE FOUNDATION

Schedule of Organization Data  
June 30, 2016

## Board of Directors

Tricia Simpson	President
Steve Randich	Vice President
Jeff Hettrick	Treasurer
Ed Jarot	Secretary
Sally Bagley	Director
Rex Easton	Director
Sandra Fleck	Director
Mohra Gavankar	Director
Kurt Johnson	Director
Lynne Lichtenauer	Director
Sue Moore	Director
Bob Navarro	Director
James Smith	Director
Dan Stevenson	Director

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To the Board of Directors  
Rialto Square Theatre Foundation  
Joliet, Illinois

### Management Letter

In planning and performing our audit of the financial statements of Rialto Square Theatre Foundation for the year ended June 30, 2016 in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency which are summarized below. This letter does not affect our report dated June 26, 2017, on the financial statements of the Foundation.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Foundation personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

#### **Monthly Cash Reconciliations**

*Finding:* Currently, monthly cash reconciliations prepared by the Foundation's Finance Manager are not being reviewed.

*Recommendation:* We recommend review of monthly cash reconciliations by a designated board member, including documentation of review.

#### **Adjusting Journal Entries**

*Finding:* Due to the limited accounting staff, the Finance Manager performs various overlapping duties. In addition, he is authorized to prepare and post all adjusting journal entries to the general ledger.

*Recommendation:* We recommend that a designated board member review monthly adjusting journal entries posted to the general ledger by the Finance Manager, including documentation of review.

#### **Authorized Bank Signers**

*Finding:* BMO Harris Bank account confirmation included two deceased board members.

*Recommendation:* We recommend the Foundation contact all institutions where funds are held in the name of the RSTF to determine that signers on file are current.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than those specified parties.

*Werner, Rogan, Dolan & Auzon, L.L.C.*

June 26, 2017



June 26, 2017

To the Board of Directors  
Rialto Square Theatre Foundation  
Joliet, Illinois

### **Communication of a Material Weaknesses**

In planning and performing our audit of the financial statements of Rialto Square Theatre Foundation (Foundation) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Foundation's internal control to be a material weakness:

#### **Preparation of the Financial Statements**

The Board of Directors and management share the ultimate responsibility for the Foundation's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. The Foundation engages Wermer, Rogers, Doran & Ruzon, LLC to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Wermer, Rogers, Doran & Ruzon, LLC cannot be considered part of the Foundation's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the Foundation should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the Foundation's activities and operations. Currently, the Foundation's personnel do not have sufficient financial reporting and accounting knowledge to perform a review of the Foundation's financial statements and related disclosures to provide a high level of assurance that any potential material omissions or errors would be identified and corrected. The condition is limited to external financial reporting. After reviewing financial statement preparation procedures, adjusting journal entries, and financial statements with the Foundation's management, management was able to oversee WRDR's financial statement preparation and related services.

This communication is intended solely for the information and use of management the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Werner, Roger, Duane & Arzon, L.L.C.*





June 26, 2017

To the Board of Directors  
Rialto Square Theatre Foundation  
Joliet, Illinois

**Communication with Those Charged with Governance at the Conclusion of the Audit**

We have audited the financial statements of Rialto Square Theatre Foundation for the year ended June 30, 2016, and have issued our report thereon dated June 26, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 9, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rialto Square Theatre Foundation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the market value of investments is based on quoted market prices for securities traded on national exchanges and on estimated fair value for securities that do not have an established market. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

Multiple internal balances were not reconciled before the beginning of audit fieldwork. These unreconciled balances delayed the completion of our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 26, 2017.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Rialto Square Theatre Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Wormer, Rogan, Duran & Auzon, L.L.C.*

Client: 23915/1853 - WCMEAA/RSTF  
 Engagement: 23915 - WCMEAA/RSTF  
 Period Ending: 6/30/2016  
 Trial Balance: 140.00 - Government Fund Trial Balance  
 Workpaper: 145 - Combined Journal Entries Report  
 Fund Level: All  
 Index: All

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
To record beginning equity				
3-1-29800	(I) RETAINED EARNINGS		10,338.69	
5-1-43042	RST POSTAGE		1.78	
3-1-29800	(I) RETAINED EARNINGS			1.78
6-1-47104	RA INTEREST EXPENSE			10,338.69
<b>Total</b>			<u>10,340.47</u>	<u>10,340.47</u>
<b>Adjusting Journal Entries JE # 2</b>				
To eliminate negative cash balance				
1-6-10000R	JALB HOLIDAY CONCERT FUND		753.13	
6-2-75202R	ENDOW FUNDRAISER EXPENSE		753.13	
1-6-10001R	JALB HCF RESTRICTED PORTION			753.13
4-1-30802R	GEN OTHER INCOME			753.13
<b>Total</b>			<u>1,506.26</u>	<u>1,506.26</u>
<b>Adjusting Journal Entries JE # 3</b>				
To record 10% of star dues receivable				
1-2-11006R	ENDOW DUE FROM GENERAL FUND		5,822.50	
6-1-40102R	GRANT TO ENDOWMENT		5,822.50	
2-1-20120R	GEN FUND DUE TO ENDOWMENT			5,822.50
6-2-70012R	(I) ENDOW %AGE OF PRZRVN DUES			5,822.50
<b>Total</b>			<u>11,645.00</u>	<u>11,645.00</u>
<b>Adjusting Journal Entries JE # 4</b>				
To record additional donation from 1st Community				
1-2-11300R	ENDOW PLEDGES RECEIVABLE		800.00	
1-2-11301R	ENDOW PLDGS RCVBL CURRENT			800.00
<b>Total</b>			<u>800.00</u>	<u>800.00</u>
<b>Adjusting Journal Entries JE # 5</b>				
To record current year amortization of discount				
1-2-11310R	ENDOW PLDG RCVBLE DISCOUNT		893.00	
6-2-70002R	ENDOW DONATIONS			893.00
<b>Total</b>			<u>893.00</u>	<u>893.00</u>
<b>Adjusting Journal Entries JE # 6</b>				
To write-off uncollectible pledges				
6-2-70002R	ENDOW DONATIONS		1,300.00	
1-2-11301R	ENDOW PLDGS RCVBL CURRENT			1,300.00
<b>Total</b>			<u>1,300.00</u>	<u>1,300.00</u>
<b>Adjusting Journal Entries JE # 7</b>				
To record long-term restricted portion				
1-2-10100R	MAJOR ENDOW # 41-0337-01-B		5,806.22	
1-2-10101R	EF MAJOR RESTRICTED PORTION			5,806.22
<b>Total</b>			<u>5,806.22</u>	<u>5,806.22</u>
<b>Adjusting Journal Entries JE # 8</b>				
PBC entry				
1-1-11005R	GEN FUND DUE FROM WCMEAA		2,062.50	
1-1-11005R	GEN FUND DUE FROM WCMEAA		5,245.00	
1-1-11005R	GEN FUND DUE FROM WCMEAA		640.00	
1-1-11005R	GEN FUND DUE FROM WCMEAA		780.80	
1-1-11005R	GEN FUND DUE FROM WCMEAA		5,320.00	
1-1-11005R	GEN FUND DUE FROM WCMEAA		5,240.00	
1-1-11005R	GEN FUND DUE FROM WCMEAA		11,890.00	
1-1-11005R	GEN FUND DUE FROM WCMEAA		2,590.00	
1-1-11005R	GEN FUND DUE FROM WCMEAA		10,166.60	
2-1-23500R	GEN FUND DEFERRED REVENUE		76,155.00	
2-1-23500R	GEN FUND DEFERRED REVENUE		3,343.00	
2-1-23500R	GEN FUND DEFERRED REVENUE		4,247.00	
2-1-23500R	GEN FUND DEFERRED REVENUE		300.00	
2-1-23500R	GEN FUND DEFERRED REVENUE		47,000.00	
2-1-23500R	GEN FUND DEFERRED REVENUE		1,125.00	
2-1-23500R	GEN FUND DEFERRED REVENUE		3,350.01	
2-1-23500R	GEN FUND DEFERRED REVENUE		1,551.50	
6-1-70202R	GEN FUNDRAISER DONATION			76,155.00
6-1-70202R	GEN FUNDRAISER DONATION			3,343.00
6-1-70202R	GEN FUNDRAISER DONATION			4,247.00
6-1-70202R	GEN FUNDRAISER DONATION			300.00

6-1-70202R	GEN FUNDRAISER DONATION		47,000.00	
6-1-70202R	GEN FUNDRAISER DONATION		1,125.00	
6-1-70202R	GEN FUNDRAISER DONATION		3,350.01	
6-1-70202R	GEN FUNDRAISER DONATION		1,561.50	
6-1-70202R	GEN FUNDRAISER DONATION		44,024.00	
<b>Total</b>			<u>181,105.51</u>	<u>181,105.51</u>
<b>Adjusting Journal Entries JE # 9</b>		<b>130.02</b>		
PBC AJE 2				
5-3-43012R	VOL OFFICE SUPPLIES		64.43	
5-3-52062R	VOL SOUVENIR EXPENSE		483.63	
5-3-52762R	VOL CASH OVER/SHORT		5.00	
1-3-10050R	MSB # 01000025209 PRO INT CKG			69.43
1-3-11900R	(f) (f) VOL FUND INVENTORY			483.63
<b>Total</b>			<u>653.06</u>	<u>653.06</u>
<b>Adjusting Journal Entries JE # 10</b>		<b>130.03</b>		
PBC Artist fee AJE				
1-1-11320	DUE FROM ARTIST FEE FUND		6,172.99	
1-5-11030	A/F FUND DUE FRM RSTF ENDOW		32,249.95	
7-5-49000	A/F FUND TRANSF TO ENTERPRISE		6,172.99	
2-6-20100	A/F FUND DUE TO ENTERPRISE FUN			6,172.99
7-1-34002	RST ENT TRANSF FRM ENDOWMENT			6,172.99
7-5-49000	A/F FUND TRANSF TO ENTERPRISE			32,249.95
<b>Total</b>			<u>44,695.93</u>	<u>44,695.93</u>
<b>Adjusting Journal Entries JE # 11</b>		<b>2600.04</b>		
To agree capital lease to payment schedule				
6-1-47104	RA INTEREST EXPENSE		2,166.07	
2-1-25800	MARLIN BIZ BANK PHONE LOAN			2,166.07
<b>Total</b>			<u>2,166.07</u>	<u>2,166.07</u>
<b>Adjusting Journal Entries JE # 12</b>		<b>640.01</b>		
Harrah's In-Kind Donation Written Off				
5-1-51601	GIK SHOW EXPENSE		25,860.00	
6-1-70002	GIFT IN KIND			25,860.00
<b>Total</b>			<u>25,860.00</u>	<u>25,860.00</u>
<b>Adjusting Journal Entries JE # 13</b>		<b>1200.01</b>		
JALB transfers to WCMEAA				
2-2-20170R	ENDOW DUE WCMEAA A/F FUND		0.08	
4-1-31002	THEATRE RENT		500.00	
4-1-31042	THEATRE RENTAL REIMB INCOME		4,596.85	
6-1-40302R	JALB Band Fees		1,533.00	
6-1-70622	RSTC GRANTS FOR RST OPERATIONS		43,760.96	
6-3-40102R	VOL GRANTS TO GENERAL FUND		3,500.00	
6-1-70002	GIFT IN KIND			43,760.96
6-1-70622	RSTC GRANTS FOR RST OPERATIONS			5,098.85
6-2-40202R	ENDOW GRANT INT TO WCMEAA			0.08
6-3-40202R	VOL GRANT TO WCMEAA			3,500.00
6-6-40202R	JALB GRANT INTEREST TO WCMEAA			1,533.00
<b>Total</b>			<u>63,890.89</u>	<u>63,890.89</u>
<b>Adjusting Journal Entries JE # 14</b>		<b>1400.05</b>		
To record asset disposal				
1-1-13400	ACCUM EQUIPMENT DEPREC		206,510.92	
4-1-30707	RST LOSS ON DISPOSAL OF FIXED ASSETS		206,510.92	
1-1-13300	EQUIPMENT			206,510.92
5-1-55002	RST DEPRECIATION			193,324.03
5-1-55005	2RS DEPRECIATION			13,186.89
<b>Total</b>			<u>413,021.84</u>	<u>413,021.84</u>
<b>Adjusting Journal Entries JE # 15</b>		<b>130.04</b>		
To reclassify expenses from cash over/short				
4-1-35002	COMMISSIONS INCOME		17,161.67	
5-1-30232	RST BAD DEBTS		10,000.00	
5-1-30232	RST BAD DEBTS		800.00	
5-1-30232	RST BAD DEBTS		9.00	
5-1-51072	RST INSTITUTIONAL ADVERTISING		502.85	
5-1-51072	RST INSTITUTIONAL ADVERTISING		4,446.25	
5-1-52752	RST CASH OVER/SHORT			32,919.77
<b>Total</b>			<u>32,919.77</u>	<u>32,919.77</u>
<b>Adjusting Journal Entries JE # 16</b>		<b>130.05</b>		
PBC AJE to balance to 941 reconciliation				
5-1-40972	T-REIMB MAINTENANCE		315.50	
5-1-51802	T-RNTL MKTG REIMB EXPENSE		3.21	
6-1-40862	T-REIMB ENGINEER			315.50
5-1-40972	T-REIMB MAINTENANCE			3.21
<b>Total</b>			<u>318.71</u>	<u>318.71</u>

Total Adjusting Journal Entries

766,722.73

766,722.73

Total All Journal Entries

766,722.73

766,722.73



June 16, 2017

To the Board of Directors  
Rialto Square Theatre Foundation  
Joliet, Illinois

**Communication with Those Charged with Governance during Audit Planning**

We are engaged to audit the financial statements of Rialto Square Theatre Foundation for the year ended June 30, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 9, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit on approximately April 24, 2017 and issue our report on approximately June 26, 2017. Mary Lancaster is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of Board of the Directors and management of Rialto Square Theatre Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Werner, Rogers, Doran & Ruzon, L.L.C.*