

**PHAMALY THEATRE COMPANY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**PHAMALY THEATRE COMPANY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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July 25, 2017

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Phamaly Theatre Company  
Denver, Colorado

We have audited the accompanying financial statements of **Physically Handicapped Amateur Musical Actors League, Inc. dba Phamaly Theatre Company** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditors' 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 Phamaly Theatre Company as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

Other auditors previously audited Phamaly Theatre Company's 2015 financial statements and they expressed an unqualified opinion in their report dated April 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial information from which it has been derived.

  
TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**PHAMALY THEATRE COMPANY**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	2016	2015
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 1,001	\$ 77,262
Cash and cash equivalents - temporarily restricted	29,090	-
Accounts receivable - unrestricted and temporarily restricted	39,956	75,000
Contributions receivable	-	4,398
Prepaid expenses	8,938	31,984
Net property and equipment (Note 3)	30,780	38,744
Beneficial interest in assets held by others (Note 4)	84,133	81,938
	\$ 193,898	\$ 309,326
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	23,735	5,220
Accrued payroll costs	8,986	2,865
Prepaid ticket sales	6,543	8,293
Line of credit (Note 5)	14,553	14,249
Capital lease obligation (Note 6)	2,940	5,303
Commitments (Note 7)		
	56,757	35,930
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	22,309	69,280
Temporarily restricted (Note 8)	30,276	116,331
Permanently restricted (Note 4)	84,556	87,785
	137,141	273,396
Total net assets		
	\$ 193,898	\$ 309,326

The accompanying notes are an integral part of these financial statements

**PHAMALY THEATRE COMPANY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
SCFD	\$ 114,096	\$ 65,052	\$ -	\$ 179,148	\$ 150,395
Program fees	159,398	-	-	159,398	257,937
Foundation grants	83,671	25,000	-	108,671	208,905
Contributions	83,062	-	-	83,062	63,503
Special events income	80,717	-	-	80,717	63,077
Less direct special events expense	(42,600)	-	-	(42,600)	(33,425)
Government grants	28,500	-	-	28,500	28,500
Investment income	6,266	-	-	6,266	(1,875)
Corporate grants	5,999	-	-	5,999	2,464
Other revenue	1,579	-	-	1,579	-
In-kind contributions (Note 9)	80,180	-	-	80,180	63,629
Net assets released from restrictions (Note 10)	179,336	(176,107)	(3,229)	-	-
Total revenue and other support	<u>780,204</u>	<u>(86,055)</u>	<u>(3,229)</u>	<u>690,920</u>	<u>803,110</u>
<u>Expense</u>					
Program services	702,347	-	-	702,347	676,328
Supporting services					
Management and general	72,681	-	-	72,681	30,386
Fund-raising	52,147	-	-	52,147	64,954
Total expense	<u>827,175</u>	<u>-</u>	<u>-</u>	<u>827,175</u>	<u>771,668</u>
Change in net assets	(46,971)	(86,055)	(3,229)	(136,255)	31,442
Net assets, beginning of year	69,280	116,331	87,785	273,396	241,954
Net assets, end of year	<u>\$ 22,309</u>	<u>\$ 30,276</u>	<u>\$ 84,556</u>	<u>\$ 137,141</u>	<u>\$ 273,396</u>

The accompanying notes are an integral part of these financial statements

**PHAMALY THEATRE COMPANY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	2016				2015
	Program	Supporting Services			Total
		Management and General	Fund- raising	Total	
Salaries	\$ 180,158	\$ 9,861	\$ 40,954	\$ 230,973	\$ 202,763
Payroll taxes and benefits	23,850	1,224	5,504	30,578	23,479
Production staff	168,603	-	-	168,603	159,499
Facilities	139,106	-	-	139,106	154,732
Staging expenses	98,232	-	-	98,232	93,390
Advertising and promotion	61,848	-	-	61,848	43,012
Insurance	8,620	5,601	-	14,221	12,648
Professional services	-	7,227	-	7,227	7,142
Office supplies	-	6,350	-	6,350	2,908
Bank charges	-	5,936	-	5,936	4,337
Telephone	-	5,741	-	5,741	3,423
Annual giving request	-	-	5,689	5,689	8,351
Utilities	-	5,296	-	5,296	2,303
Contract publicist	4,700	-	-	4,700	5,200
Travel	2,516	1,148	-	3,664	2,983
Dues	2,859	342	-	3,201	2,080
Printing	2,054	1,137	-	3,191	9,923
Website	-	3,083	-	3,083	846
Staff development	3,024	-	-	3,024	771
Equipment	-	2,952	-	2,952	2,038
Interest	-	2,645	-	2,645	667
Special needs	1,360	-	-	1,360	13,345
Postage and shipping	-	913	-	913	3,209
Board	-	75	-	75	2,357
All other	5,417	5,186	-	10,603	4,667
	702,347	64,717	52,147	819,211	766,073
Depreciation	-	7,964	-	7,964	5,595
Total expenses	<u>\$ 702,347</u>	<u>\$ 72,681</u>	<u>\$ 52,147</u>	<u>\$ 827,175</u>	<u>\$ 771,668</u>

The accompanying notes are an integral part of these financial statements

**PHAMALY THEATRE COMPANY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (136,255)	\$ 31,442
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	7,964	5,595
(Gain) loss on endowment	(4,175)	3,668
Donation of equipment	-	(13,200)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts and contributions receivable	39,442	(51,575)
(Increase)decrease in prepaid expenses	23,046	35,237
Increase(decrease) in accounts payable	18,515	1,220
Increase(decrease) in prepaid ticket sales	(1,750)	(40,471)
Increase(decrease) in payroll accruals	6,121	(12,542)
Net cash provided(used) by operating activities	(47,092)	(40,626)
<u>Changes in investing activities</u>		
(Additions) to fixed assets	-	(6,040)
Proceeds from endowment	3,229	-
(Reinvestment) of dividends	(1,249)	194
Net cash provided(used) by investing activities	1,980	(5,846)
<u>Changes in financing activities</u>		
(Payments) on capital lease liability	(2,363)	(2,139)
Borrowing on line of credit	304	14,249
Net cash provided(used) by financing activities	(2,059)	12,110
Net Increase (decrease) in cash and cash equivalents	(47,171)	(34,362)
Cash and cash equivalents, beginning of year	77,262	111,624
Cash and cash equivalents, end of year	<u>\$ 30,091</u>	<u>\$ 77,262</u>
Supplemental disclosure of information:		
Cash paid during the period for interest	<u>\$ 2,645</u>	<u>\$ 667</u>

The accompanying note are an integral part of these financial statements



**PHAMALY THEATRE COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE 1 - NATURE OF ACTIVITIES**

Physically Handicapped Amateur Musical Actors League dba Phamaly Theatre Company (Organization) was incorporated as a non-profit corporation in the state of Colorado. Its mission is to inspire people to re-envision disability through professional theatre. Each year, the Organization serves 20,000 children and adults through 5 productions and touring shows. Phamaly also offers educational opportunities and professional development for performers with disabilities. The Organization is supported primarily through SCFD Tier III funding, performance revenues, and foundations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES**

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

5. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. Estimates

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

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Functional Reporting of Expenses

For the year ended December 31, 2016, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

10. Investments

Investments are reported at fair value, and classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 include mutual funds, listed equities, listed derivatives, cash, and cash equivalents.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

10. Investments (Concluded)

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt. Because the types of endowment investments are not known to the Organization, the Endowment (Note 4) is classified as Level 3.

11. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

12. Subsequent Events

Management has evaluated subsequent events through July 25, 2017, the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

<u>Description</u>	<u>Amount</u>
Production and stage equipment	\$ 52,110
Less: accumulated depreciation	<u>(21,330)</u>
Net property and equipment	<u>\$ 30,780</u>

Depreciation expense for the year was \$7,964.

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2014, the Organization established an endowment fund with the Community First Foundation for operational purposes. The Foundation has variance power over the funds. Under the terms of the endowment, the contributions are held in perpetuity. Amounts appropriated for expenditure are calculated using five percent of the average of the net fair market values of three preceding calendar years.

At year-end, the fund (Level 3 input) had a fair value of \$84,133.

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Changes in endowment net assets as of December 31, 2016 are as follows:

	Permanently Restricted (Level 3)
Balance, beginning of year	\$ 81,938
Contributions	-
Investment income	2,091
Net appreciation	4,175
Less: management fees	<u>(842)</u>
Net investment return	5,424
Less: amounts appropriated for expenditure	<u>(3,229)</u>
Balance, end of year	<u>\$ 84,133</u>

NOTE 5 - LINE OF CREDIT

The Organization has a \$15,000 bank line-of-credit at an interest rate of prime plus 1 percent. The line is secured by checking and savings accounts held at the bank. At year end, the balance was \$14,553 and the interest rate was 10.25%.

NOTE 6 - CAPITAL LEASE OBLIGATION

The Organization has acquired a copier under capital leasing arrangements. The future minimum lease payments are:

<u>Year</u>	<u>Amount</u>
2017	\$ 3,052
Less: amount representing interest	<u>(112)</u>
Present value of capital lease obligation	<u>\$ 2,940</u>

NOTE 7 - COMMITMENTS

During 2015, the Organization entered into a lease for office space. The future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2017	<u>\$ 21,150</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted nets assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
2017 production	<u>\$ 30,276</u>

NOTE 9 - IN-KIND CONTRIBUTIONS

Donated goods and services are reflected in the accompanying financial statements at their estimated values at date of receipt. In-kind contributions for the year consist of:

<u>Description</u>	<u>Amount</u>
Performance, production, and rehearsal space	\$ 66,750
Marketing	6,470
Food	5,300
Gala invitations	1,460
Internet services	<u>200</u>
Total	<u>\$ 80,180</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
2016 production and programming	\$ 151,107
Evita production	12,000
James and the Giant Peach production	7,500
Sponsor a summer intern	5,500
Distribution from endowment	<u>3,229</u>
Total	<u>\$ 179,336</u>

NOTE 11 - SUBSEQUENT EVENTS

Loan payable

On January 25, 2017, the Organization borrowed \$50,000 for general operating cash flow needs. Per the agreement, the principal payment of \$50,000 will be due upon receipt of SCFD Tier III funding or on October 31, 2017, whichever comes first. Interest will be payable monthly, and the interest rate bears a fixed rate of 6.5%. There is no penalty for prepayment.

NOTE 11 - SUBSEQUENT EVENTS (Concluded)

Loan payable-related party

On March 21, 2017, a board member loaned the Organization \$25,000. Interest accrues at a rate of 6.5%. All accrued interest and principal will be due March 21, 2019.

Capital lease obligation

The Organization has acquired a copier under capital leasing arrangements. The future minimum lease payments are:

<u>Year</u>	<u>Amount</u>
2017	\$ 1,881
2018	2,508
2019	2,508
2020	2,508
2021	2,508
2022	<u>1,254</u>
Total payments	13,167
Less: amount representing interest	<u>(1,896)</u>
Present value of capital lease obligation	<u>\$ 11,271</u>

NOTE 12 - RELATED PARTIES

Board members are not paid for their board functions; however, three board members are also performers and receive stipends.