

PHAMALY THEATRE COMPANY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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FOR THE YEAR ENDED DECEMBER 31, 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

July 27, 2018

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, 2017, 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, 2017, 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

We previously audited Phamaly Theatre Company's 2016 financial statements and we expressed an unqualified opinion in our report dated July 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial information from which it has been derived.

Taylor, Roth, and Company PLLC
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

PHAMALY THEATRE COMPANY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 185,254	\$ 1,001
Cash and cash equivalents - temporarily restricted	16,490	29,090
Accounts receivable - unrestricted and temporarily restricted	-	39,956
Grants receivable	10,000	-
Grants receivable - multi-year (Note 3)	60,000	-
Prepaid expenses	1,910	8,938
Net property and equipment (Note 4)	36,733	30,780
Beneficial interest in assets held by others (Note 5)	91,858	84,133
Total assets	\$ 402,245	\$ 193,898
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	1,322	23,735
Accrued payroll costs	12,554	8,986
Prepaid ticket sales	-	6,543
Line of credit (Note 6)	-	14,553
Capital lease obligation (Note 7)	9,869	2,940
Total liabilities	23,745	56,757
<u>Net assets</u>		
<u>Unrestricted</u>		
Operating	254,786	9,021
Net investment in fixed assets	26,864	13,287
Temporarily restricted (Note 8)	16,490	30,276
Permanently restricted (Note 5)	80,360	84,557
Total net assets	378,500	137,141
Total liabilities and net assets	\$ 402,245	\$ 193,898

The accompanying notes are an integral part of these financial statements

PHAMALY THEATRE COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Contributions	\$ 295,630	\$ -	\$ -	\$ 295,630	\$ 83,062
Program fees	186,946	-	-	186,946	159,398
Foundation grants	145,711	-	-	145,711	108,671
SCFD	96,953	16,490	-	113,443	179,148
Special events income	85,826	-	-	85,826	81,217
Less direct special events expense	(34,577)	-	-	(34,577)	(42,600)
Government grants	32,525	-	-	32,525	28,500
Corporate grants	15,546	-	-	15,546	5,999
Investment income	11,930	-	-	11,930	6,266
Other revenue	3,486	-	-	3,486	1,079
In-kind contributions (Note 9)	14,710	-	-	14,710	80,180
Net assets released from restrictions (Note 10)	34,473	(30,276)	(4,197)	-	-
Total revenue and other support	<u>889,159</u>	<u>(13,786)</u>	<u>(4,197)</u>	<u>871,176</u>	<u>690,920</u>
<u>Expense</u>					
Program services	447,187	-	-	447,187	702,347
Supporting services					
Management and general	104,697	-	-	104,697	72,681
Fund-raising	77,933	-	-	77,933	52,147
Total expense	<u>629,817</u>	<u>-</u>	<u>-</u>	<u>629,817</u>	<u>827,175</u>
Change in net assets	259,342	(13,786)	(4,197)	241,359	(136,255)
Net assets, beginning of year	<u>22,308</u>	<u>30,276</u>	<u>84,557</u>	<u>137,141</u>	<u>273,396</u>
Net assets, end of year	<u>\$ 281,650</u>	<u>\$ 16,490</u>	<u>\$ 80,360</u>	<u>\$ 378,500</u>	<u>\$ 137,141</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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016	
	Program	Supporting Services		Total	Total
		Management and General	Fund- raising		
Salaries	\$ 73,806	\$ 52,378	\$ 64,285	\$ 190,469	\$ 230,973
Payroll taxes and benefits	10,765	7,576	9,208	27,549	30,578
Production staff	109,519	-	-	109,519	125,204
Facilities	65,443	28,747	-	94,190	139,106
Actor stipends	55,944	-	-	55,944	43,399
Advertising and promotion	50,937	-	-	50,937	61,848
Staging expenses	27,673	-	-	27,673	98,232
Office supplies	13,123	-	-	13,123	6,350
Insurance	10,682	-	-	10,682	14,221
Professional services	-	9,238	-	9,238	7,227
Website	5,890	443	-	6,333	3,083
Annual giving request	-	-	4,440	4,440	5,689
Utilities	-	4,338	-	4,338	5,296
Interest	4,226	-	-	4,226	2,645
Outreach and education	3,624	-	-	3,624	2,407
Special needs	2,890	-	-	2,890	1,360
Dues	1,862	-	-	1,862	3,201
Bank charges	975	-	-	975	5,936
Equipment	922	-	-	922	2,952
Travel	227	-	-	227	3,664
Telephone	-	-	-	-	5,741
Contract publicist	-	-	-	-	4,700
Printing	-	-	-	-	3,191
Staff development	-	-	-	-	3,024
Postage and shipping	-	-	-	-	913
All other	3,362	1,977	-	5,339	8,271
	441,870	104,697	77,933	624,500	819,211
Depreciation	5,317	-	-	5,317	7,964
Total expenses	<u>\$ 447,187</u>	<u>\$ 104,697</u>	<u>\$ 77,933</u>	<u>\$ 629,817</u>	<u>\$ 827,175</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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 241,359	\$ (136,255)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,317	7,964
(Gain) loss on endowment	(9,010)	(4,175)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts and grants receivable	(30,044)	39,442
(Increase)decrease in prepaid expenses	7,028	23,046
Increase(decrease) in accounts payable	(22,413)	18,515
Increase(decrease) in prepaid ticket sales	(6,543)	(1,750)
Increase(decrease) in payroll accruals	3,568	6,121
Net cash provided(used) by operating activities	189,262	(47,092)
<u>Changes in investing activities</u>		
Proceeds from endowment	4,197	3,229
(Reinvestment) of dividends	(2,912)	(1,249)
Net cash provided(used) by investing activities	1,285	1,980
<u>Changes in financing activities</u>		
(Payments) on capital lease liability	(4,341)	(2,363)
(Repayments) Borrowing on line of credit	(14,553)	304
Net cash provided(used) by financing activities	(18,894)	(2,059)
Net Increase (decrease) in cash and cash equivalents	171,653	(47,171)
Cash and cash equivalents, beginning of year	30,091	77,262
Cash and cash equivalents, end of year	<u>\$ 201,744</u>	<u>\$ 30,091</u>
Supplemental disclosure of information:		
Cash paid during the period for interest	<u>\$ 4,226</u>	<u>\$ 2,645</u>
Property purchased under a capital lease	<u>\$ 11,270</u>	<u>\$ -</u>

The accompanying note are an integral part of these financial statements

PHAMALY THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 contributions, 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, 2017, 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, 2016, 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 27, 2018, the date the financial statements were available to be issued.

NOTE 3 - GRANTS RECEIVABLE – MULTI-YEAR

The Organization was awarded a multi-year grant to be received in the following years:

<u>Payment</u>	<u>Amount</u>
2018	\$ 30,000
2019	<u>30,000</u>
Total	<u>\$ 60,000</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

<u>Description</u>	<u>Amount</u>
Production and stage equipment	\$ 21,096
Truck	13,200
Leased copier	<u>11,270</u>
Total	45,566
Less: accumulated depreciation	<u>(8,833)</u>
Net property and equipment	<u>\$ 36,733</u>

Depreciation expense for the year was \$5,317.

NOTE 5 - 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 \$91,858.

Changes in endowment net assets as of December 31, 2017 are as follows:

	Permanently Restricted (Level 3)
Balance, beginning of year	\$ 84,133
Contributions	-
Investment income	3,814
Net appreciation	9,010
Less: management fees	<u>(902)</u>
Net investment return	11,922
Less: amounts appropriated for expenditure	<u>(4,197)</u>
Balance, end of year	<u>\$ 91,858</u>

NOTE 6 - LINE OF CREDIT

During 2017, the Organization paid off the outstanding balance on the line of credit and closed the account.

NOTE 7 - 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>
2018	\$ 2,508
2019	2,508
2020	2,508
2021	2,508
2022	<u>1,254</u>
Total payments	11,286
Less: amount representing interest	<u>(1,417)</u>
Present value of capital lease obligation	<u>\$ 9,869</u>

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted nets assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
2018 production	<u>\$ 16,490</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>
Supplies	\$ 5,000
Food	4,500
Video production	3,000
Marketing	<u>2,210</u>
Total	<u>\$ 14,710</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>
2017 production and programming	\$ 30,276
Distribution from endowment	<u>4,197</u>
Total	<u>\$ 34,473</u>

NOTE 11 - RELATED PARTIES

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