

PHAMALY THEATRE COMPANY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

PHAMALY THEATRE COMPANY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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



June 26, 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
Phamaly Theatre Company
Denver, Colorado

We have audited the accompanying financial statements of **Phamaly Theatre Company** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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, 2018, 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 2017 financial statements and we expressed an unqualified opinion in our report dated July 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
<u>Assets</u>		
Cash and cash equivalents	\$ 294,418	\$ 201,744
Accounts receivable	-	10,000
Grants receivable - multi-year (Note 3)	30,000	60,000
Prepaid expenses	1,987	1,911
Net property and equipment (Note 4)	37,105	36,733
Beneficial interest in assets held by others (Note 5)	82,275	91,857
	<u>\$ 445,785</u>	<u>\$ 402,245</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	1,086	1,322
Accrued payroll costs	21,937	12,554
Deferred revenue	4,250	-
Capital lease obligation (Note 6)	19,040	9,869
	<u>46,313</u>	<u>23,745</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	217,252	254,786
Net investment in fixed assets	18,065	26,864
With donor restrictions (Note 7)	164,155	96,850
	<u>399,472</u>	<u>378,500</u>
Total net assets	<u>\$ 445,785</u>	<u>\$ 402,245</u>
Total liabilities and net assets	<u>\$ 445,785</u>	<u>\$ 402,245</u>

The accompanying notes are an integral part of these financial statements

PHAMALY THEATRE COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017	
	Without Donor Restrictions	With Donor Restrictions		Total	Total
		Donor Specific Purpose	Endowment		
<u>Revenue and other support</u>					
Foundations	\$ 97,525	\$ 89,200	\$ -	\$ 186,725	\$145,711
Program fees	153,270	-	-	153,270	186,946
SCFD	97,497	18,820	-	116,317	113,443
Contributions	81,169	-	-	81,169	295,630
Special events income	74,791	-	-	74,791	85,826
Less direct special events expense	(16,007)	-	-	(16,007)	(34,577)
Government grants	26,750	-	-	26,750	32,525
Corporate grants	18,804	-	-	18,804	15,546
Investment income (Net of fees)	15	-	(5,284)	(5,269)	11,930
Other revenue	6,510	-	-	6,510	3,486
In-kind contributions (Note 8)	26,130	-	-	26,130	14,710
Net assets released from restrictions (Note 9)	46,928	(42,630)	(4,298)	-	-
Total revenue and other support	<u>613,382</u>	<u>65,390</u>	<u>(9,582)</u>	<u>669,190</u>	<u>871,176</u>
<u>Expense</u>					
Program services	503,201	-	-	503,201	447,187
Supporting services					
Management and general	107,390	-	-	107,390	104,697
Fund-raising	37,627	-	-	37,627	77,933
Total expense	<u>648,218</u>	<u>-</u>	<u>-</u>	<u>648,218</u>	<u>629,817</u>
Change in net assets before					-
Reclassification of underwater endowment	(34,836)	65,390	(9,582)	20,972	241,359
Reclass underwater endowment (Note 10)	(11,497)	-	11,497	-	-
Change in net assets	(46,333)	65,390	1,915	20,972	241,359
Net assets, beginning of year	<u>281,650</u>	<u>16,490</u>	<u>80,360</u>	<u>378,500</u>	<u>137,141</u>
Net assets, end of year	<u>\$ 235,317</u>	<u>\$ 81,880</u>	<u>\$ 82,275</u>	<u>\$ 399,472</u>	<u>\$378,500</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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017	
	Program	Supporting Services		Total	Total
		Management and General	Fund- raising		
Salaries	\$ 140,240	\$ 57,241	\$ 31,483	\$ 228,964	\$ 190,469
Payroll taxes and benefits	23,181	9,462	5,204	37,847	27,549
Production staff	77,049	-	-	77,049	87,137
Facilities	66,707	-	-	66,707	65,443
Advertising and promotion	53,724	-	-	53,724	50,937
Actor stipends	29,961	-	-	29,961	55,944
Performance rights and royalties	23,458	-	-	23,458	22,382
Travel	23,301	-	-	23,301	227
Staging expenses	22,744	-	-	22,744	27,673
Professional services	-	16,474	-	16,474	9,238
Rent	-	11,000	-	11,000	28,747
Insurance	10,680	-	-	10,680	10,682
Loss on disposal of fixed asset	-	10,120	-	10,120	-
Accessibility	8,178	-	-	8,178	2,890
Technology	4,192	1,711	940	6,843	6,333
Office supplies	5,671	-	-	5,671	13,123
Board	3,079	-	-	3,079	-
Staff development	1,658	-	-	1,658	-
Bank charges	1,025	-	-	1,025	975
Utilities	-	896	-	896	4,338
Equipment	607	-	-	607	922
Meals	587	-	-	587	-
Dues	575	-	-	575	1,862
Postage and shipping	495	-	-	495	-
Interest	-	486	-	486	4,226
Outreach and education	-	-	-	-	3,624
Annual giving request	-	-	-	-	4,440
All other	457	-	-	457	5,339
	497,569	107,390	37,627	642,586	624,500
Depreciation	5,632	-	-	5,632	5,317
Total expenses	<u>\$ 503,201</u>	<u>\$ 107,390</u>	<u>\$ 37,627</u>	<u>\$ 648,218</u>	<u>\$ 629,817</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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 20,972	\$ 241,359
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,632	5,317
(Gain) loss on endowment	18,333	(9,010)
Loss on disposal of fixed asset	10,120	-
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts and grants receivable	40,000	(30,044)
(Increase)decrease in prepaid expenses	(76)	7,028
Increase(decrease) in accounts payable	(236)	(22,413)
Increase(decrease) in prepaid ticket sales	4,250	(6,543)
Increase(decrease) in payroll accruals	9,383	3,568
Net cash provided(used) by operating activities	108,378	189,262
<u>Changes in investing activities</u>		
Proceeds from endowment	4,298	4,197
(Reinvestment) of dividends	(13,049)	(2,912)
Net cash provided(used) by investing activities	(8,751)	1,285
<u>Changes in financing activities</u>		
Borrowing (payments) on capital lease liability	(6,953)	(4,341)
(Repayments) borrowing on line of credit	-	(14,553)
Net cash provided(used) by financing activities	(6,953)	(18,894)
Net Increase (decrease) in cash and cash equivalents	92,674	171,653
Cash and cash equivalents, beginning of year	201,744	30,091
Cash and cash equivalents, end of year	<u>\$ 294,418</u>	<u>\$ 201,744</u>
Supplemental disclosure of information:		
Cash paid during the period for interest	<u>\$ 486</u>	<u>\$ 4,226</u>
Property purchased under a capital lease	<u>\$ 16,124</u>	<u>\$ -</u>

The accompanying note are an integral part of these financial statements

PHAMALY THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 - NATURE OF ACTIVITIES

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 foundations, program fees, and SCFD.

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 two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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.

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

4. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulation regarding how long the contributed asset must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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, 2018, 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. The allocations are determined by management on a rational and systematic basis. Salaries, employee benefits, and technology are allocated on a time and effort basis. All other expenses are allocated directly to the program to which they apply.

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, 2017, from which the summarized information was derived.

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

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.

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 June 26, 2019, the date the financial statements were available to be issued.

13. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses net asset classification, information about liquidity, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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>
2019	<u>\$ 30,000</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

<u>Description</u>	<u>Amount</u>
Production and stage equipment	\$ 27,099
Leased copiers	<u>27,394</u>
Total	54,493
Less: accumulated depreciation	<u>(17,388)</u>
Net property and equipment	<u>\$ 37,105</u>

Depreciation expense for the year was \$5,632.

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 \$82,275.

Changes in endowment net assets as of December 31, 2018 are as follows:

	<u>Endowment (Level 3)</u>
Balance, beginning of year	\$ 91,857
Contributions	-
Investment income	13,963
Net appreciation	(18,333)
Less: management fees	<u>(914)</u>
Net investment return	(5,284)
Less: amounts appropriated for expenditure	<u>(4,298)</u>
Balance, end of year	<u>\$ 82,275</u>

The Organization also earned \$15 of operating interest in 2018.

NOTE 6 - CAPITAL LEASE OBLIGATIONS

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

<u>Year</u>	<u>Amount</u>
2019	\$ 7,831
2020	3,588
2021	3,588
2022	3,588
2023	<u>2,691</u>
Total payments	21,286
Less: amount representing interest	<u>(2,246)</u>
Present value of capital lease obligations	<u>\$ 19,040</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted nets assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Donor restricted endowment	\$ 82,275
Morph masters	37,280
Rebrand and website	35,000
30 th anniversary	4,500
Anythink	3,000
Technical assistance	<u>2,100</u>
Total	<u>\$ 164,155</u>

NOTE 8 - 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>
Donated facilities	\$ 25,000
Marketing	<u>1,130</u>
Total	<u>\$ 26,130</u>

NOTE 9 - NET ASSETS RELEASED FROM DONOR 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>
2018 production and programming	\$ 16,490
Harvey	10,000
Morph masters	9,040
Big Night!	5,000
Distribution from donor restricted endowment	4,298
Technical assistance	<u>2,100</u>
Total	<u>\$ 46,928</u>

NOTE 10 - UNDERWATER ENDOWMENT

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law.

At December 31, 2018, an underwater deficiency of \$5,710 was reported in net assets with donor restrictions. Deficiencies resulted from unfavorable market fluctuations.

<u>Donor restricted endowment funds:</u>	<u>Amount</u>
Fair value of underwater endowment funds	\$ 82,275
Original endowment gift	<u>87,985</u>
Deficiency of underwater endowment funds	<u>\$ (5,710)</u>

NOTE 11 - RELATED PARTIES

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

NOTE 12 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$ 294,418
Accounts and grants receivable, net	30,000
Beneficial interest in assets held by others	<u>82,275</u>
Total financial assets	406,693
Less: amounts not available for general expenditures within one year, due to:	
Donor restricted endowment	<u>(82,275)</u>
Total financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 324,418</u>

The Organization's goal is generally to maintain financial assets to meet three months of operating expenses. Management considers donor restricted contributions that will be used within one year as part of its ordinary operations, as being available for general expenditures.