PHAMALY THEATRE COMPANY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

PHAMALY THEATRE COMPANY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

CONTENTS

May 28, 2021

INDEPENDENT AUDITORS' REPORT

Board of Directors
Phamaly Theatre Company
Denver, Colorado

Opinion

We have audited the accompanying financial statements of Phamaly Theatre Company, (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Phamaly Theatre Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Phamaly Theatre Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Phamaly Theatre Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Phamaly Theatre Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Phamaly Theatre Company's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor Roth and Company pllc

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

PHAMALY THEATRE COMPANY

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
Assets		
Cash and cash equivalents	$ 721,299	$ 485,382
Grants receivable	42,500	140,000
Prepaid expenses	5,252	69,781
Net property and equipment (Note 3)	22,618	30,963
Beneficial interest in assets held by others (Note 4)	97,224	90,934
Total assets	$ 888,893	$ 817,060
Liabilities and net assets		
Liabilities		
Accounts payable	$ 748	2,513
Accrued payroll costs	22,522	18,908
Deferred revenue	-	2,920
Capital lease obligations (Note 5)	13,520	12,022
Commitments (Note 6)		
Total liabilities	$ 36,790	36,363
Net assets		
Without donor restrictions		
Undesignated	$ 666,156	474,322
Net investment in fixed assets	9,098	18,941
	675,254	493,263
With donor restrictions (Note 7)	176,849	287,434
Total net assets	852,103	780,697
Total liabilities and net assets	$ 888,893	$ 817,060

The accompanying notes are an integral part of these financial statements

PHAMALY THEATRE COMPANY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Undesignated	With Donor Restrictions	Total	Total
Revenue and other support				
Foundations	$ 180,697	$ 133,500	$ 314,197	$ 547,810
SCFD	127,498	-	127,498	115,954
Contributions	67,505	-	67,505	88,528
PPP Loan Forgiveness (Note 8)	59,700	-	59,700	-
Program fees	22,271	-	22,271	183,904
Government grants	18,500	-	18,500	38,388
Special events income	68,728	-	68,728	74,627
Less direct special events expense	(3,168)	-	(3,168)	(28,349)
Corporate support	14,364	-	14,364	19,795
Investment income	48	10,708	10,756	13,056
Other revenue	738	-	738	5,171
In-kind contributions	-	-	-	25,000
Net assets released from restrictions (Note 9)	254,793	(254,793)	-	-
Total revenue and other support	811,674	(110,585)	701,089	1,083,884
Expense				
Program services	414,194	-	414,194	573,890
Supporting services				
Management and general	111,450	-	111,450	88,321
Fund-raising	104,039	-	104,039	40,448
Total expense	629,683	-	629,683	702,659
Change in net assets	181,991	(110,585)	71,406	381,225
Net assets, beginning of year	493,263	287,434	780,697	399,472
Net assets, end of year	$ 675,254	$ 176,849	$ 852,103	$ 780,697

The accompanying notes are an integral part of these financial statements

PHAMALY THEATRE COMPANY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020				2019
	Program services	Supporting Services			
	Theatre Arts	Management and General	Fund-raising	Total	Total
Salaries	$ 153,055	$ 60,487	$ 68,599	$ 282,141	$ 255,503
Payroll taxes and benefits	27,461	10,822	12,289	50,572	37,197
Production staff	65,545	-	-	65,545	96,265
Actor stipends	61,822	-	-	61,822	43,974
Advertising and promotion	34,638	-	-	34,638	40,840
Rent	16,165	6,412	7,247	29,824	12,000
Professional fees	-	14,403	8,765	23,168	24,012
Staging expenses	12,932	-	-	12,932	18,820
Production venues	10,354	-	-	10,354	90,318
Performance rights and royalties	9,683	-	-	9,683	23,510
Insurance	3,049	4,628	1,367	9,044	7,879
Loss on disposal of fixed asset	-	6,882	-	6,882	-
Technology	4,086	1,621	1,832	7,539	10,701
Accessibility	5,126	-	-	5,126	4,893
Bank and merchant fees	1,920	762	861	3,543	4,735
Office supplies and equipment	1,787	462	523	2,772	3,715
Storage facility	1,285	508	577	2,370	1,706
Equipment rental and maintenance	1,146	452	513	2,111	-
Donations from Phamaly	-	1,500	-	1,500	-
Dues	422	412	36	870	5,877
Interest	-	817	-	817	1,042
Postage and shipping	503	66	57	626	1,917
Printing	75	29	34	138	2,286
Professional development	25	-	-	25	2,127
Miscellaneous	190	26	28	244	5,391
	411,269	110,289	102,728	624,286	694,708
Depreciation	2,925	1,161	1,311	5,397	7,951
Total expenses	$ 414,194	$ 111,450	$ 104,039	$ 629,683	$ 702,659

The accompanying notes are an integral part of these financial statements

PHAMALY THEATRE COMPANY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 71,406	$ 381,225
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	5,397	7,951
(Gain) loss on endowment	(10,273)	(11,835)
Loss on disposal of fixed asset	6,882	-
Changes in operating assets and liabilities		
(Increase)decrease in accounts and grants receivable	97,500	(110,000)
(Increase)decrease in prepaid expenses	64,529	(67,794)
Increase(decrease) in accounts payable	(1,765)	1,427
Increase(decrease) in deferred contract revenue	(2,920)	(1,330)
Increase(decrease) in payroll accruals	3,614	(3,029)
Net cash provided(used) by operating activities	234,370	196,615
Changes in investing activities		
Withdrawls from assets held by others	4,418	4,304
(Reinvestment) of dividends and interest	(435)	(1,128)
(Additions) to fixed assets	-	(1,809)
Net cash provided(used) by investing activities	3,983	1,367
Changes in financing activities		
Borrowing (payments) on capital lease liability	(2,436)	(7,018)
Net cash provided(used) by financing activities	(2,436)	(7,018)
Net Increase (decrease) in cash and cash equivalents	235,917	190,964
Cash and cash equivalents, beginning of year	485,382	294,418
Cash and cash equivalents, end of year	$ 721,299	$ 485,382
Supplemental disclosure of information:		
Cash paid during the period for interest	$ 817	$ 1,042
Property purchased under a capital lease	$ 15,957	$ -

The accompanying notes are an integral part of these financial statements

NOTE 1 - NATURE OF ACTIVITIES

Phamaly Theatre Company (the Organization) was incorporated as a non-profit corporation in the state of Colorado. Its mission is to be a creative home for theatre artists with disabilities; to model a disability affirmative theatrical process; and to upend conventional narratives by transforming individuals, audiences, and the world. Each year, the Organization serves thousands of children and adults through its productions, professional development opportunities, and community outreach. Through its innovative programming, the Organization advances the social narrative of disability to effect greater inclusion, participation, and respect for people with disabilities in all facets of society.

The Organization has faced a lot of uncertainty due to the COVID-19 crisis. The organization has been working diligently, adjusting its programming to create community for its artists and stakeholders while seeking and maximizing any and all funding opportunities. The organization produced virtual programming throughout 2020 and was able to host its first-ever virtual fundraiser, Phamaly's BIG NIGHT! "The Show Must Go On!" Webathon. In addition to reimagining its programming in 2020, the organization has been working to develop and produce an engaging and safe season for 2021.

By eliminating all non-essential expenses and working to secure alternative funding, Phamaly continues to be financially stable. In addition, prior to the pandemic, Phamaly's leadership and staff made significant progress toward organizational sustainability. This work has allowed Phamaly to move forward as financial losses were incurred due to cancelled or delayed programing. However, Phamaly's sustainability is now much more fragile due to the realized and anticipated losses, making the support through philanthropic programs more important than ever. Phamaly is determined the organization will not only weather the COVID-19 pandemic but will come out of this crisis stronger than ever.

The Organization is supported primarily through foundations, SCFD, and contributions.

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.

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.

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. 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.

5. 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.

6. 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.

7. Functional Reporting of Expenses

For the year ended December 31, 2020, 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.

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

8. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 – Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Input other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally form or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

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, 2019, from which the summarized information was derived.

10. 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. Additionally, management has determined that net assets with donor restrictions needed to be reclassified in the prior year to capture time restrictions on two multi-year awards.

11. New Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The standards update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The Organization does not believe the application of the provisions of the standards update materially changed the recognition of contributions received during the year.

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

12. Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received; conditional promises to give with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

13. Subsequent Events

Management has evaluated subsequent events through May 28, 2020, the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

Description	Amount
Production and stage equipment	$ 27,529
Leased copiers	15,957
Total	43,486
Less: accumulated depreciation	(20,868)
Net property and equipment	$ 22,618

Depreciation expense for the year was $5,397.

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2014, the Organization established an Endowment Fund (the Fund) at the Community First Foundation (the Foundation), with an initial irrevocable gift of $26,000, to provide ongoing support for the Organization. Since the Organization's initial transfer, an additional $77,648 has been transferred to the Foundation in addition to a $10,338 match by the Foundation.

The assets in the endowment fund are managed by the Foundation and invested in accordance with the Foundation's asset allocation. The investment returns are based upon the Foundation's returns for commingled investments. The assets held in the endowment are classified in Level 3 of the fair value measurements hierarchy as the value of the interest is independently determined by the Foundation.

Terms of the Endowment Agreement
The Organization granted variance power to the Foundation. The terms of the variance power granted by the Organization, as stated in the fund agreement are that "The Board of Directors of the Foundation shall have the power to modify any restriction or condition on the distribution of the Fund if, in the sole judgment of such Board of Directors such restriction (without the necessity of the approval of any participating trustee, custodian, or agent) such restriction or condition becomes, in effect, unnecessary, undesirable, incapable of fulfillment or fundamentally inconsistent with the charitable needs of the communities and areas that the Foundation serves."

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Concluded)

The amount available for distribution is equal to 5% per year, distributed no more frequently than annually, of the average of the net fair market value of the assets of the Fund on the last business day of each of the three calendar years preceding the year for which the distribution is being made (or such lesser number of calendar years as there may be between the date of the transfer of the initial Contribution to the Foundation and the year for which the distribution is being made). The Organization's right to a distribution for any calendar year shall not be cumulative. If the Organization receives less than previously described annual distribution on a calendar basis, then the Organization shall not be entitled to request a distribution of such undistributed amount in any subsequent year. The fund is held and invested by the Foundation for the Organization benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Classification of Endowment Assets
As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As a result, the Organization classifies the value of all gifts restricted by the donor for the endowment as restricted for perpetuity, and the net appreciation on these assets as restricted for time and released according to the Foundation's spending policy. In addition, management has interpreted that the terms embedded in the Foundation's endowment agreement creates implied restrictions on all the funds held by the Foundation, and in as much, the appreciation on endowment assets contributed per the Board's direction are also classified as having donor restrictions because these funds are co-mingled with donor-restricted funds, and also subject to the Foundation's spending policy.

The endowment fund is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities as a change in the beneficial interest in assets held by others.

Changes in endowment net assets as of December 31, 2020 are as follows:

Description	2020
Beginning balance	$ 90,934
Investment income	1,319
Net appreciation	10,273
Less: management fees	(884)
Net investment return	10,708
Less: amounts appropriated for expenditure	(4,418)
Balance, end of year	$ 97,224

Additionally, during the year, the Organization earned interest income of $48 on its operating cash accounts.

NOTE 5 - CAPITAL LEASE OBLIGATIONS

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

Year	Amount
2021	$ 3,551
2022	3,551
2023	3,551
2024	3,551
2025	1,183
Total payments	15,387
Less: amount representing interest	(1,867)
Present value of capital lease obligations	$ 13,520

NOTE 6 - COMMITMENTS

Beginning January 1, 2020, the Organization entered into a 5-year office lease commitment for 2,066 of rentable square feet. The future minimum lease payments are:

Year	Amount
2021	$ 32,023
2022	33,056
2023	33,572
2024	34,089
Total	$132,740

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted nets assets are available for the following purposes:

Description	Amount
Donor restricted endowment	$ 97,224
Time restricted	30,000
Summer 2021 Production – CoronaVox	20,000
Summer 2021 Production – Alice in Wonderland	10,000
Technology Grant	7,125
Total	$ 164,349

NOTE 8 - PAYROLL PROTECTION PROGRAM

On April 29, 2020, the Organization borrowed $59,700 under the Payroll Protection Program (PPP). Congress established the PPP to provide relief to small businesses during the COVID-19 pandemic as part of the $2 trillion Coronavirus Aid, Relief, And Economic Security (CARES) Act. The loans and accrued interest are forgivable after eight weeks and up to 24 weeks, as long as the borrower uses the loan proceeds for eligible purposes. The Organization has used the funds in accordance with the note, provided necessary support and the note was forgiven on December 14, 2020. The full loan amount from the Paycheck Protection Program is recorded as a contribution in this fiscal year.

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:

Description	Amount
Time restriction	$ 110,000
HONK! Winter Production	93,500
2020 Alice in Wonderland Workshop	25,000
Fall 2021 Production - Rewrite	15,000
Digital Inclusivity Project	6,500
Distribution from donor restricted endowment	4,418
Technology Grant	375
Total	$ 254,793

NOTE 10 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2020:

Financial assets at year-end:	Amount
Cash and cash equivalents	$ 721,299
Grants receivable	42,500
Beneficial interest in assets held by others	97,224
Total financial assets	861,023
Less: amounts not available for general expenditures within one year, due to:	
Donor restricted endowment (less 2021 distribution)	(92,718)
Total financial assets available to meet cash needs for general expenditures within one year:	$ 768,305

The Organization's goal is generally to maintain financial assets to meet six 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.

NOTE 11 - PRIOR PERIOD RECLASSIFICATION

During the audit, it was determined that $140,000 of donor time restricted net assets were improperly recorded. The prior period reclassification resulted in the following restated balances to the net asset accounts on December 31, 2019. There was no effect on the change in net assets.

	Original	Change	Restated
Net assets without donor restrictions	$633,263	($140,000)	$493,263
Net assets with donor restrictions	$56,500	$140,000	$196,500