



***ASSOCIATION FOR THE COLONIAL THEATRE***

**FINANCIAL STATEMENTS**

**Years Ended August 31, 2021 and 2020**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Association for the Colonial Theatre  
Phoenixville, Pennsylvania**

We have audited the accompanying financial statements of Association for the Colonial Theatre (a nonprofit organization), which comprise the statements of financial position as of August 31, 2021 and 2020, 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 the 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 in the first paragraph present fairly, in all material respects, the financial position of Association for the Colonial Theatre as of August 31, 2021 and 2020 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.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
December 2, 2021**

**ASSOCIATION FOR THE COLONIAL THEATRE**

**STATEMENTS OF FINANCIAL POSITION**

August 31

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,148,204	\$ 473,620
Accounts receivable	62,932	1,801
Current portion of pledges receivable	5,676	81,901
Prepaid expenses	44,649	29,277
Inventory	6,184	4,074
	1,267,645	590,673
<b>PLEDGES RECEIVABLE, NET - LONG-TERM PORTION</b>	-	9,893
<b>LAND, BUILDINGS, AND EQUIPMENT</b>		
Land	22,000	22,000
Buildings and improvements	8,434,177	8,434,177
Equipment	1,777,125	1,774,325
Website	20,500	-
Projects in progress	32,945	20,000
	10,286,747	10,250,502
Less: accumulated depreciation	(2,471,164)	(2,102,090)
<b>NET LAND, BUILDINGS, AND EQUIPMENT</b>	7,815,583	8,148,412
	<b>TOTAL ASSETS</b>	<b>\$ 8,748,978</b>
	<b>\$ 9,083,228</b>	<b>\$ 8,748,978</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,093	\$ 14,951
Accrued payroll and taxes	2,301	18,372
Accrued/deferred interest	86,428	17,869
Deferred revenue	215,679	102,957
Current portion of long-term debt	46,993	4,739
Payroll protection program loan	109,500	103,600
	471,994	262,488
<b>TOTAL CURRENT LIABILITIES</b>	471,994	262,488
<b>NONCURRENT LIABILITIES</b>		
Long-term debt	3,633,681	3,730,364
Unamortized discount on loan	70,678	79,406
	3,704,359	3,809,770
<b>TOTAL NONCURRENT LIABILITIES</b>	3,704,359	3,809,770
	<b>TOTAL LIABILITIES</b>	4,072,258
	4,176,353	4,072,258
<b>NET ASSETS</b>		
Without donor restrictions	4,816,120	4,571,898
With donor restrictions - time or purpose, as restated	90,755	104,822
	4,906,875	4,676,720
<b>TOTAL NET ASSETS</b>	4,906,875	4,676,720
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,083,228</b>	<b>\$ 8,748,978</b>
	<b>\$ 9,083,228</b>	<b>\$ 8,748,978</b>

See accompanying notes.

**ASSOCIATION FOR THE COLONIAL THEATRE**

**STATEMENTS OF ACTIVITIES**

August 31

	2021	2020
<b>WITHOUT DONOR RESTRICTIONS:</b>		
<b>PUBLIC SUPPORT AND REVENUES</b>		
Contributions	\$ 312,512	\$ 338,214
In-kind contributions	2,800	-
Foundation Awards	113,537	93,357
Shuttered Venue Operators Grant	445,525	-
Membership	100,399	124,408
Admissions	148,851	421,968
Concessions	77,756	118,394
Advertising	1,488	15,860
Processing and service fees	32,885	56,500
Rental	33,149	23,688
Interest income	2,488	2,999
Forgiveness of Paycheck Protection Program loan	103,600	-
Net assets released from restrictions	100,066	134,174
	<b>1,475,056</b>	<b>1,329,562</b>
<b>EXPENSES</b>		
Program services	952,768	1,331,031
Management and general	147,567	142,174
Fundraising	130,500	142,368
	<b>1,230,835</b>	<b>1,615,573</b>
	<b>1,230,835</b>	<b>1,615,573</b>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>244,221</b>	<b>(286,011)</b>
<b>WITH DONOR RESTRICTIONS:</b>		
<b>PUBLIC SUPPORT AND REVENUES</b>		
Contributions	-	15,423
Foundation Awards	86,000	13,028
Net assets released from restrictions	(100,066)	(134,174)
	<b>(14,066)</b>	<b>(105,723)</b>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>(14,066)</b>	<b>(105,723)</b>
<b>CHANGE IN NET ASSETS</b>	<b>230,155</b>	<b>(391,734)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>4,676,720</b>	<b>5,068,454</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 4,906,875</b>	<b>\$ 4,676,720</b>

See accompanying notes.

**ASSOCIATION FOR THE COLONIAL THEATRE**

**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended August 31, 2021				Year Ended August 31, 2020			
	Program Services	Management and General	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals
Salaries and wages	\$ 186,073	\$ 116,294	\$ 102,981	\$ 405,348	\$ 213,732	\$ 112,553	\$ 106,337	\$ 432,622
Payroll taxes	15,211	9,507	8,418	33,136	17,617	9,217	8,708	35,542
Employee benefits	20,646	7,382	11,059	39,087	19,116	6,510	9,900	35,526
Total employee costs	<u>221,930</u>	<u>133,183</u>	<u>122,458</u>	<u>477,571</u>	<u>250,465</u>	<u>128,280</u>	<u>124,945</u>	<u>503,690</u>
Advertising	6,072	-	-	6,072	31,284	-	2,720	34,004
Concessions	24,932	-	-	24,932	40,614	-	-	40,614
Conferences and meetings	368	-	-	368	2,803	-	-	2,803
Dues and licenses	2,293	-	-	2,293	3,462	-	-	3,462
Film and production costs	83,537	-	-	83,537	348,796	-	-	348,796
Fundraising	-	-	6,581	6,581	-	-	7,815	7,815
Insurance	25,192	-	-	25,192	29,597	-	-	29,597
Interest	151,219	-	-	151,219	149,886	-	-	149,886
Maintenance and repairs	21,379	-	-	21,379	53,726	-	-	53,726
Membership and events	5,627	-	37	5,664	1,409	-	4,695	6,104
Office and postage	-	3,217	804	4,021	1,552	2,838	1,541	5,931
Professional fees	620	11,167	620	12,407	3,000	9,392	652	13,044
Supplies	2,462	-	-	2,462	555	1,664	-	2,219
Telephone and internet	4,958	-	-	4,958	5,730	-	-	5,730
Utilities	33,105	-	-	33,105	37,477	-	-	37,477
	<u>583,694</u>	<u>147,567</u>	<u>130,500</u>	<u>861,761</u>	<u>960,356</u>	<u>142,174</u>	<u>142,368</u>	<u>1,244,898</u>
Depreciation	<u>369,074</u>	<u>-</u>	<u>-</u>	<u>369,074</u>	<u>370,675</u>	<u>-</u>	<u>-</u>	<u>370,675</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 952,768</u>	<u>\$ 147,567</u>	<u>\$ 130,500</u>	<u>\$ 1,230,835</u>	<u>\$ 1,331,031</u>	<u>\$ 142,174</u>	<u>\$ 142,368</u>	<u>\$ 1,615,573</u>

See accompanying notes.

**ASSOCIATION FOR THE COLONIAL THEATRE**

**STATEMENTS OF CASH FLOWS**

	Year Ended August 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 230,155	\$ (391,734)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	372,917	370,675
Contributions restricted for long-term capital projects	(86,118)	(123,751)
Paycheck Protection Program loan forgiveness	(103,600)	-
In-kind Contribution	(2,800)	-
Changes in:		
Pledges receivable	86,118	123,751
Accounts receivable	(61,131)	7,969
Prepaid expenses	(15,372)	13,226
Inventory	(2,110)	3,584
Accounts payable	(3,858)	(40,892)
Accrued payroll and taxes	(16,071)	1,611
Accrued/deferred interest	68,559	17,869
Deferred revenue	112,722	36,973
	579,411	19,281
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of land, buildings, and equipment	(33,445)	(20,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for capital projects	86,118	123,751
Proceeds from payroll protection program loan	109,500	103,600
Repayment of long-term debt	(67,000)	(130,121)
	128,618	97,230
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	674,584	96,511
<b>CASH AT BEGINNING OF YEAR</b>	473,620	377,109
<b>CASH AT END OF YEAR</b>	\$ 1,148,204	\$ 473,620
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 60,948	\$ 128,174
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Paycheck Protection Program loan forgiveness	\$ 103,600	\$ -
Refinance of long-term debt	-	3,775,000
Donation of capital assets	2,800	-

See accompanying notes.

# ASSOCIATION FOR THE COLONIAL THEATRE

## NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

Association for the Colonial Theatre (the "Association") is a nonprofit organization that owns and operates Phoenixville's historic Colonial Theatre. Their mission is to nurture community by celebrating the power of film and the performing arts to entertain, inform and reveal meaning. The Theatre's programming includes art and independent films, classic films, programs for young audiences, live concerts and community events.

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### Basis of Accounting

The financial statements of the Association have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### Cash

For the purpose of reporting the statements of cash flows, the Association considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash. The Association places its cash in high credit quality institutions. At various times during the year, the Association had cash balances in excess of the federally insured limit in deposit accounts at local banks.

#### Inventory

Inventory consists of concession products and is stated at cost.

#### Land, Buildings, and Equipment

Purchased land, buildings and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at fair market value. The Association's policy is to capitalize any assets in excess of \$2,500 with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Building and improvements	10 - 40 years
Equipment	5 - 10 years
Website	5 years

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. Construction in progress is stated at cost and consists primarily of costs incurred in the construction of a new sound system. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

#### Deferred Revenue

Gift certificate sales and advance ticket sales sold prior to year end for events held in the following year are deferred until the events are held, at which time they are recognized as revenue.



## ASSOCIATION FOR THE COLONIAL THEATRE

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### **Net Assets**

The Association 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 without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received and expenses incurred in conducting the Association's charitable mission are included in this category.

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Association has been limited by donors to later periods of time or after specified dates, or to specified purposes.

The Association reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

See Note 6 for more information on the composition of net assets with donor restrictions or the release of donor restrictions.

##### **Revenue Recognition**

In accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Association recognizes revenue when control of the promised services is transferred to the Association's outside parties in an amount that reflects the consideration the Association expects to be entitled to in exchange for those services. The standard outlines a five-step process whereby revenue is recognized as performance obligations within a contract are satisfied.

##### Membership Dues

The Association offers various levels of memberships. The main benefit of all membership levels is discounted admission to films, no fees on film tickets, and priority access to films and concerts for the period of one year from the date membership is purchased. Other benefits vary based on the membership level and are minimal in utilization and cost and are not separately valued from the membership due as an exchange/contract. Since members are still paying admission fees for the films or events, the membership revenue is recognized in revenue upon registration or renewal.

##### Admission Fees

Admission fees are charged for films and live performances at the theatre. The performance obligation is met and revenue is recognized at the time of the sale for films and events occurring in the current fiscal year.

## ASSOCIATION FOR THE COLONIAL THEATRE

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### Revenue Recognition - continued

###### Concession Sales

The Association sells candy, popcorn, refreshments, and merchandise in the lobby of the theatre. The performance obligation is met, and revenue is recognized at the time of the sale.

###### Advertising and Processing/Service Fees

The Association offers local businesses and not-for-profit organizations advertising for purchase on the screens before every film and live performance. Fees are charged on a monthly basis. The performance obligation is met on a monthly basis and revenue is recognized in the month the payment is received. Processing and service fees are charged per ticket sold for films and events. The performance obligation is met and revenue is recognized at the time of sale.

##### Contributions

The Association recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Association evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Association applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Association evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Association is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

The Association records unconditional contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time. When donor restrictions expire, that is when a purpose restriction is fulfilled or a time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

##### Donated Services and Materials

Gifts of property and equipment are presented as support without donor restrictions unless 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 support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Association's activities).

## ASSOCIATION FOR THE COLONIAL THEATRE

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### **Donated Services and Materials - continued**

Donated materials and certain services are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. The amount of such donated materials and services was \$2,800 and \$0 for the years ended August 31, 2021 and 2020, respectively. The donated materials and services relate to the Association's programs and consist of equipment for the Association.

A number of unpaid volunteers, which include the directors of the Association, have made significant contributions of their time toward developing and achieving the Association's goals and objectives. The value of volunteer contributions is not reflected in these statements since it is not susceptible to objective measurement or valuation.

##### **Functional Expenses**

As reported in the statement of functional expenses, expenses of the Association have been allocated to the following functional reporting classifications: Program Services, Management and General, and Fundraising.

Expenses directly attributable to a specific functional area are reported as expenses of those functions. The Association's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

##### **Advertising**

The Association used advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. For the years ended August 31, 2021 and 2020, advertising costs totaled \$6,072 and \$34,004, respectively.

##### **Tax-Exempt Status**

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Association annually files federal and state information returns as required, including Form 990-T for any unrelated business activities. There is no current year provision for federal or state income taxes. In accordance with generally accepted accounting principles, the Association accounts for uncertain tax positions relative to unrelated business income, if any, as required.

##### **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 the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ASSOCIATION FOR THE COLONIAL THEATRE**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 and 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Subsequent Events**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition through December 2, 2021, the date the financial statements were available to be issued.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The Association is closely monitoring its liquidity and is actively working to minimize the impact of the pandemic. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Association's donors, programs, employees, and vendors, all of which at present, cannot be determined. Since March 2020, the Association has either been closed or operating as permitted under the CDC guidelines. Due to limited attendance once permitted to reopen operations, the Association reduced operating hours only opening Wednesday through Sunday. Accordingly, the extent to which COVID-19 may impact the Association's financial position and changes in net assets and cash flows is still uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**NOTE 2 - PLEDGES RECEIVABLE**

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The Association conducted a number of capital campaigns over recent years to raise funds to purchase and renovate the building at 225 Bridge Street. Contributions (pledges) are recorded when the donor makes a promise to give to the Association that is, in substance, unconditional. Management has evaluated the collectability of the pledges and determined that no allowance is necessary after writing off uncollectible pledges in the 2021 fiscal year. The discount rate is derived by using the average of the borrowing rate on the note payable used to fund building renovations and the rate of interest earned on savings held by the Association. Additionally, pledges were received and recorded for an appeal to support the Theatre during the Covid pandemic for the year ended August 31, 2020.

Unconditional promises to give (pledges receivable) at August 31 are as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 5,676	\$ 81,901
Receivable in one to five years	-	10,423
Total unconditional promises to give	5,676	92,324
Less: discounts to net present value (2.5%)	-	(530)
Net unconditional pledges receivable	<u>\$ 5,676</u>	<u>\$ 91,794</u>

## ASSOCIATION FOR THE COLONIAL THEATRE

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

#### NOTE 3 - PAYCHECK PROTECTION PROGRAM LOANS

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In April 2020, the Association received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$103,600. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The PPP Loan was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Association's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program.

The Association initially recorded a note payable upon receipt of the PPP Loan and subsequently recorded forgiveness when the loan obligation was legally released upon notification by the SBA in December 2020. The \$103,600 forgiven is recognized as loan forgiveness income in the statements of activities for the year ended August 31, 2021.

In March 2021, the Association received a second Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$109,500. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the SBA.

The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Association's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. The Association intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The Association will recognize the forgiven portion of the loan upon notification of forgiveness by the SBA. The second Paycheck Protection Program Loan was forgiven subsequent to year end.

#### NOTE 4 - LINE OF CREDIT

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In May 2020, the Association opened a secured line of credit with a bank in the amount of \$245,000 to be drawn upon as needed. The interest rate is equal to the prime rate as defined by the bank and is set at 3.25% for the initial term. The line of credit matures in December 2021, with the option to be renewed. The line of credit is secured by all property and assets of the Association. There was no outstanding balance on the line of credit at August 31, 2021 and 2020. Subsequent to year end the line of credit was extended and matures in March 2022.

**ASSOCIATION FOR THE COLONIAL THEATRE**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 and 2020**

**NOTE 5 - LONG-TERM DEBT**

Long-term debt outstanding is summarized as follows at August 31:

	2021	2020
<p>Tax-free fixed rate note through Lower Salford Industrial Development Authority payable to a bank in the amount of \$3,775,000. Initial payment terms included interest only payments beginning in October 2019 through September 2021 at a fixed rate of 3.8% for five years. Payments of principal and interest will begin in October 2021 in the amount of \$20,646. In November 2020, a loan modification agreement deferred interest payments for the period of November 2020 to April 2021 and deferred the start of principal payments from October 2021 to April 2022. Final payment is due in March 2040. The note is secured by all real and personal property plus assignment of rents. The bank has a call option to declare the outstanding principal and interest due in full on each seventh anniversary of the loan modification commencing October 2028.</p>	\$ 3,570,525	\$ 3,637,525
<p>Note payable to the Borough of Phoenixville with monthly payments of \$1,689 beginning April 2023 for 13 years. The loan is noninterest-bearing and is secured by the property of the Association. The loan is reported net of the unamortized discount of \$70,678 and \$79,406 for the years ended August 31, 2021 and 2020, respectively. Total loan is in the amount of \$250,000 amortized with a 5.00% discount.</p>	<u>179,322</u> 3,749,847	<u>170,594</u> 3,808,119
<p>Unamortized deferred financing costs</p>	(69,173)	(73,016)
<p>Portion payable within one year</p>	<u>(46,993)</u>	<u>(4,739)</u>
	<u>\$ 3,633,681</u>	<u>\$ 3,730,364</u>

**ASSOCIATION FOR THE COLONIAL THEATRE**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 and 2020**

**NOTE 5 - LONG-TERM DEBT - CONTINUED**

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Deferred financing costs represent fees and expenses related to the tax-free fixed rate note entered into in September 2019. The financing costs are amortized on a straight-line basis over the 20-year term of the loan. The amortization expense for both years ended August 31, 2021 and 2020 was \$3,843 and is included in interest expense.

Maturities on long-term debt, based on modification terms, are as follows for the years ending August 31:

2022	\$ 46,993
2023	121,607
2024	134,134
2025	138,788
2026	143,621
2027 - 2031	797,405
2032 - 2036	943,818
2037 - 2040	<u>1,423,481</u>
	<u>\$ 3,749,847</u>

Total interest expense for the years ended August 31, 2021 and 2020 was \$151,219 and \$149,886, respectively.

**ASSOCIATION FOR THE COLONIAL THEATRE**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 and 2020**

**NOTE 6 - NET ASSETS**

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Net assets with donor restrictions are comprised of the following as of August 31:

	<u>2021</u>	<u>2020</u>
Time or purpose:		
Capital improvements pledges	\$ 4,401	\$ 81,371
Annual appeal pledges	1,275	10,423
Ovations program	22,579	5,000
Science on screen	-	1,178
Film programs	-	1,850
Young audiences concerts	-	5,000
Fiscal year 2021-2022 operations	<u>62,500</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 90,755</u>	<u>\$ 104,822</u>

Net assets were released from donor restrictions by satisfying the restricted purposes as follows at August 31:

	<u>2021</u>	<u>2020</u>
Capital improvements	\$ 76,970	\$ 134,174
Annual appeal	9,148	-
Ovations program	420	-
Science on screen	6,678	-
Film programs	1,850	-
Young audiences concerts	<u>5,000</u>	<u>-</u>
Total net assets released from donor restrictions	<u>\$ 100,066</u>	<u>\$ 134,174</u>

**NOTE 7 - RELATED PARTY TRANSACTIONS**

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The Association recognized contributions from the Community Coalition of \$76,638 and \$91,326 for the years ended August 31, 2021 and 2020, respectively. The Executive director and Members of the Association board serve on the board of the Community Coalition.



**ASSOCIATION FOR THE COLONIAL THEATRE**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 and 2020**

**NOTE 8 - AVAILABILITY OF FINANCIAL RESOURCES**

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The following reflects the Association's financial assets as of August 31, 2021 and 2020, reduced by amounts not available for general use within one year because of donor-imposed restrictions. The Association's financial assets include cash, accounts receivable, and pledges receivable. The Association has restricted funds.

	<u>2021</u>	<u>2020</u>
Cash	\$ 1,148,204	\$ 473,620
Accounts receivable	62,932	1,801
Pledges receivable	<u>5,676</u>	<u>91,794</u>
Total financial assets available	1,216,812	567,215
Less amounts not available due to donor-imposed restrictions:		
Donor time or purpose restrictions	<u>(90,755)</u>	<u>(104,822)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,126,057</u>	<u>\$ 462,393</u>

The Association also has a line of credit in the amount of \$245,000 in which it can draw upon in the event of unanticipated liquidity needs.

**NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS**

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In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of 12 months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2021, with early application permitted. The Association is evaluating the impact this standard will have on the financial statements.

**ASSOCIATION FOR THE COLONIAL THEATRE**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 and 2020**

**NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED**

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In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update would require an organization to present contributed nonfinancial assets, including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets, as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosures of a disaggregation by category of nonfinancial assets, including whether used or monetized, policies and/or a description of the programs or other activities in which those assets were used, a description of any donor restrictions associated with nonfinancial assets, a description of the valuation techniques and inputs used to arrive at the fair value measure for initial recognition, and the principal market used to arrive at the fair value measure if it is a market in which the Association is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This standard should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021, with early adoption permitted.