



ASSOCIATION FOR THE COLONIAL THEATRE

FINANCIAL STATEMENTS

Years Ended August 31, 2022 and 2021



TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 17

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Association for the Colonial Theatre as of August 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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 the Association for the Colonial Theatre and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Association for the Colonial Theatre'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 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 the Association for the Colonial Theatre'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 the Association for the Colonial Theatre'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.

Herbein + Company, Inc.

Reading, Pennsylvania
November 14, 2022

ASSOCIATION FOR THE COLONIAL THEATRE

STATEMENTS OF FINANCIAL POSITION

August 31

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,052,717	\$ 1,148,204
Accounts receivable	6,968	64,207
Pledges receivable	-	4,401
Prepaid expenses	32,960	44,649
Inventory	10,833	6,184
	1,103,478	1,267,645
LAND, BUILDINGS, AND EQUIPMENT		
Land	22,000	22,000
Buildings and improvements	8,440,977	8,434,177
Equipment	1,822,364	1,777,125
Website	22,800	20,500
Projects in progress	32,344	32,945
	10,340,485	10,286,747
Less: accumulated depreciation	(2,845,712)	(2,471,164)
	7,494,773	7,815,583
NET LAND, BUILDINGS, AND EQUIPMENT		
	7,494,773	7,815,583
TOTAL ASSETS		
	\$ 8,598,251	\$ 9,083,228
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 14,586	\$ 11,093
Accrued payroll and taxes	7,531	2,301
Accrued/deferred interest	11,228	86,428
Deferred revenue	130,430	215,679
Current portion of long-term debt	94,233	46,993
Paycheck Protection Program loan	-	109,500
	258,008	471,994
TOTAL CURRENT LIABILITIES		
	258,008	471,994
NONCURRENT LIABILITIES		
Long-term debt, net	3,632,967	3,704,359
	3,632,967	3,704,359
TOTAL NONCURRENT LIABILITIES		
	3,632,967	3,704,359
TOTAL LIABILITIES		
	3,890,975	4,176,353
NET ASSETS		
Without donor restrictions	3,967,426	4,816,120
Without donor restrictions - board designated	717,860	-
With donor restrictions - time or purpose	21,990	90,755
	4,707,276	4,906,875
TOTAL NET ASSETS		
	4,707,276	4,906,875
TOTAL LIABILITIES AND NET ASSETS		
	\$ 8,598,251	\$ 9,083,228

See accompanying notes.

ASSOCIATION FOR THE COLONIAL THEATRE

STATEMENTS OF ACTIVITIES

August 31

	2022	2021
WITHOUT DONOR RESTRICTIONS:		
PUBLIC SUPPORT AND REVENUES		
Contributions	\$ 220,055	\$ 312,512
In-kind contributions	-	2,800
Foundation awards	24,090	113,537
Shuttered Venue Operators Grant	277,512	445,525
Membership	129,901	100,399
Admissions	788,597	148,851
Concessions	206,426	77,756
Advertising	13,880	1,488
Processing and service fees	99,027	32,885
Rental	58,680	33,149
Interest income	2,607	2,488
Forgiveness of Paycheck Protection Program loan	109,500	103,600
Net assets released from restrictions	76,466	100,066
	2,006,741	1,475,056
EXPENSES		
Program services	1,815,350	952,768
Management and general	251,924	147,567
Fundraising	67,600	130,500
	2,134,874	1,230,835
	CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	244,221
	(128,133)	244,221
WITH DONOR RESTRICTIONS:		
PUBLIC SUPPORT AND REVENUES		
Foundation awards	5,000	86,000
Net assets released from restrictions	(76,466)	(100,066)
	CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(14,066)
	(71,466)	(14,066)
	CHANGE IN NET ASSETS	230,155
	(199,599)	230,155
NET ASSETS AT BEGINNING OF YEAR	4,906,875	4,676,720
NET ASSETS AT END OF YEAR	\$ 4,707,276	\$ 4,906,875

See accompanying notes.

ASSOCIATION FOR THE COLONIAL THEATRE

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended August 31, 2022				Year Ended August 31, 2021			
	Program Services	Management and General	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals
Salaries and wages	\$ 304,752	\$ 174,213	\$ 40,336	\$ 519,301	\$ 186,073	\$ 116,294	\$ 102,981	\$ 405,348
Payroll taxes	28,494	16,289	3,771	48,554	15,211	9,507	8,418	33,136
Employee benefits	31,980	13,429	5,318	50,727	20,646	7,382	11,059	39,087
Total employee costs	<u>365,226</u>	<u>203,931</u>	<u>49,425</u>	<u>618,582</u>	<u>221,930</u>	<u>133,183</u>	<u>122,458</u>	<u>477,571</u>
Advertising	23,850	-	-	23,850	6,072	-	-	6,072
Concessions	58,515	-	-	58,515	24,932	-	-	24,932
Conferences and meetings	-	-	-	-	368	-	-	368
Dues and licenses	2,933	-	-	2,933	2,293	-	-	2,293
Film and production costs	674,033	-	-	674,033	83,537	-	-	83,537
Fundraising	-	-	9,283	9,283	-	-	6,581	6,581
Insurance	25,243	-	-	25,243	25,192	-	-	25,192
Interest	131,077	-	-	131,077	151,219	-	-	151,219
Maintenance and repairs	72,419	-	-	72,419	21,379	-	-	21,379
Membership and events	3,539	-	5,057	8,596	5,627	-	37	5,664
Office and postage	-	6,007	1,502	7,509	-	3,217	804	4,021
Professional fees	2,333	41,986	2,333	46,652	620	11,167	620	12,407
Supplies	18,355	-	-	18,355	2,462	-	-	2,462
Telephone and internet	4,095	-	-	4,095	4,958	-	-	4,958
Utilities	59,185	-	-	59,185	33,105	-	-	33,105
	<u>1,440,803</u>	<u>251,924</u>	<u>67,600</u>	<u>1,760,327</u>	<u>583,694</u>	<u>147,567</u>	<u>130,500</u>	<u>861,761</u>
Depreciation	<u>374,547</u>	<u>-</u>	<u>-</u>	<u>374,547</u>	<u>369,074</u>	<u>-</u>	<u>-</u>	<u>369,074</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 1,815,350</u></u>	<u><u>\$ 251,924</u></u>	<u><u>\$ 67,600</u></u>	<u><u>\$ 2,134,874</u></u>	<u><u>\$ 952,768</u></u>	<u><u>\$ 147,567</u></u>	<u><u>\$ 130,500</u></u>	<u><u>\$ 1,230,835</u></u>

See accompanying notes.

ASSOCIATION FOR THE COLONIAL THEATRE

STATEMENTS OF CASH FLOWS

	Year Ended August 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (199,599)	\$ 230,155
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	378,391	372,917
Contributions restricted for long-term capital projects	-	(86,118)
Paycheck Protection Program loan forgiveness	(109,500)	(103,600)
In-kind contribution	-	(2,800)
Changes in:		
Accounts receivable	57,239	(61,131)
Pledges receivable	4,401	86,118
Prepaid expenses	11,689	(15,372)
Inventory	(4,649)	(2,110)
Accounts payable	3,493	(3,858)
Accrued payroll and taxes	5,230	(16,071)
Accrued/deferred interest	(75,200)	68,559
Deferred revenue	(85,249)	112,722
	(13,754)	579,411
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings, and equipment	(53,738)	(33,445)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for capital projects	-	86,118
Proceeds from Paycheck Protection Program loan	-	109,500
Repayment of long-term debt	(27,995)	(67,000)
	(27,995)	128,618
	(95,487)	674,584
CASH AT BEGINNING OF YEAR	1,148,204	473,620
	\$ 1,052,717	\$ 1,148,204
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 202,434	\$ 78,817
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Paycheck Protection Program loan forgiveness	\$ 109,500	\$ 103,600
Donation of capital assets	-	2,800

See accompanying notes.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

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

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.

Accounts Receivable

Accounts receivable are stated at unpaid balances. The Association bases its accounts receivable on the subsequent receipt of funds recognized during the reporting period. Therefore, accounts receivable are recorded at their net realizable value and no allowance account is necessary.

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.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

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, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

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, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 \$0 and \$2,800 for the years ended August 31, 2022 and 2021, 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, 2022 and 2021, advertising costs totaled \$23,850 and \$6,072, 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.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition through November 14, 2022, the date the financial statements were available to be issued.

NOTE 2 - PLEDGES RECEIVABLE

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.

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

	<u>2022</u>		<u>2021</u>
Receivable in less than one year	\$	-	\$ 4,401

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NOTE 3 - LINE OF CREDIT

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 (5.50% - 2022 and 3.25% - 2021). The line of credit was renewed through March 2022 and continues to renew automatically. 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, 2022 and 2021.

NOTE 4 - PAYCHECK PROTECTION PROGRAM LOANS

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.

In March 2021, the Association received a second 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 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 November 2021.

Loan forgiveness income is recognized in the statements of activities for \$109,500 and \$103,600 for the years ended August 31, 2022 and 2021, respectively.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NOTE 5 - LONG TERM DEBT

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

	2022	2021
<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>	\$ 3,542,530	\$ 3,570,525
<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 \$61,504 and \$70,678 for the years ended August 31, 2022 and 2021, respectively. Total loan is in the amount of \$250,000 amortized with a 5.00% discount.</p>	<div style="text-align: right;"> 188,496 3,731,026 </div>	<div style="text-align: right;"> 179,322 3,749,847 </div>
<p>Unamortized deferred financing costs</p> <p>Portion payable within one year</p>	<div style="text-align: right;"> (65,330) (94,233) </div>	<div style="text-align: right;"> (69,173) (46,993) </div>
	\$ 3,571,463	\$ 3,633,681

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NOTE 5 - LONG-TERM DEBT - CONTINUED

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, 2022 and 2021 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:

2023	\$ 94,233
2024	105,407
2025	109,337
2026	113,057
2027	116,922
2028 - 2032	647,449
2033 - 2037	749,264
2038 - 2040	<u>1,795,357</u>
	<u>\$ 3,731,026</u>

Total interest expense for the years ended August 31, 2022 and 2021 was \$131,077 and \$151,219, respectively.

Subsequent to year end, the Borough of Phoenixville approved forgiveness of the note payable to the Association. Loan forgiveness revenue will be recorded when the loan obligation was legally released upon notification by the Borough in September 2022.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NOTE 6 - NET ASSETS

Net assets without donor restrictions are comprised of undesignated and board-designated amounts for the following purposes as of August 31:

	2022	2021
Board designated:		
Operating reserve	\$ 500,052	\$ -
Fixed asset reserve	217,808	-
Subtotal board designated net assets	717,860	-
Net assets invested in capital assets	3,767,573	4,064,231
Undesignated	199,853	751,889
Total net assets without donor restrictions	\$ 4,685,286	\$ 4,816,120

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

	2022	2021
Time or purpose:		
Capital improvements pledges	\$ -	\$ 4,401
Annual appeal pledges	2,700	1,275
Ovations program	19,290	22,579
Fiscal year 2021-2022 operations	-	62,500
Total net assets with donor restrictions	\$ 21,990	\$ 90,755

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

	2022	2021
Capital improvements	\$ 4,401	\$ 76,970
Annual appeal	1,275	9,148
Ovations program	8,290	420
Fiscal year 2021-2022 operations	62,500	-
Science on screen	-	6,678
Film programs	-	1,850
Young audiences concerts	-	5,000
Total net assets released from donor restrictions	\$ 76,466	\$ 100,066

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NOTE 7 - RETIREMENT PLAN

On January 1, 2022, the Association adopted a SIMPLE IRA Plan that covers all eligible employees. Employees are eligible if they are expected to earn over \$2,000 in the year. Employer contributions to the Plan equal 2% of a participating employee's salary, whether or not the employee makes an elective deferral. Employer contributions to the Plan for the year ended August 31, 2022, was \$5,976.

NOTE 8 - RELATED PARTY TRANSACTIONS

Included in contributions are those received from the Community Coalition totaling \$78,087 and \$76,638 for the years ended August 31, 2022 and 2021, respectively. The Executive Director and Members of the Association board serve on the board of the Community Coalition.

NOTE 9 - IN-KIND CONTRIBUTIONS

The value of donated services and materials provided by local businesses to benefit the Association included with revenue in the financial statements and the corresponding expenses are as follows:

	Year Ended August 31	
	2022	2021
Equipment:		
Shelving	\$ -	\$ 2,800

Valuation Techniques:

Contributed services and materials are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Donated equipment is valued at current prices for similar items.

Donor Restrictions:

There are no restrictions on in-kind donations at year end. The Association does not sell donated gifts in-kind and only utilized in-kinds for the programs detailed above.

NOTE 10 - COMMITMENT

In August 2022, the Association entered into an agreement for a roofing project for a total cost of \$64,688. A deposit of \$32,344 was paid at time of signing and included in projects in progress at August 31, 2022.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2022 and 2021

NOTE 11 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Association's financial assets as of August 31, 2022 and 2021, 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 and board designated funds.

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,052,717	\$ 1,148,204
Accounts receivable	6,968	64,207
Pledges receivable	<u>-</u>	<u>4,401</u>
Total financial assets available	1,059,685	1,216,812
Less amounts not available due to donor-imposed restrictions:		
Board designated restrictions - fixed asset reserve	(217,808)	-
Donor time or purpose restrictions	<u>(21,990)</u>	<u>(90,755)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 819,887</u>	<u>\$ 1,126,057</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 12 - NEW ACCOUNTING PRONOUNCEMENT

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.