

ASSOCIATION FOR THE COLONIAL THEATRE

FINANCIAL STATEMENTS

Years Ended August 31, 2020 and 2019



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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, 2020 and 2019, 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, 2020 and 2019 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 17, 2020**

ASSOCIATION FOR THE COLONIAL THEATRE

STATEMENTS OF FINANCIAL POSITION

	August 31	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 473,620	\$ 377,109
Accounts receivable	1,801	9,770
Current portion of pledges receivable	81,901	139,876
Prepaid expenses	29,277	42,503
Inventory	4,074	7,658
	TOTAL CURRENT ASSETS	590,673
	590,673	576,916
PLEDGES RECEIVABLE, NET - LONG-TERM PORTION	9,893	75,669
LAND, BUILDINGS, AND EQUIPMENT		
Land	22,000	22,000
Buildings and improvements	8,434,177	8,434,177
Equipment	1,774,325	1,774,325
Projects in progress	20,000	-
	10,250,502	10,230,502
Less: accumulated depreciation	(2,102,090)	(1,731,415)
	NET LAND, BUILDINGS, AND EQUIPMENT	8,148,412
	8,148,412	8,499,087
	TOTAL ASSETS	\$ 9,151,672
	\$ 8,748,978	\$ 9,151,672
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 14,951	\$ 55,843
Accrued payroll and taxes	18,372	16,761
Accrued interest	17,869	-
Deferred revenue	102,957	65,984
Current portion of long-term debt	4,739	-
Payroll protection program loan	103,600	-
	TOTAL CURRENT LIABILITIES	138,588
	262,488	138,588
NONCURRENT LIABILITIES		
Long-term debt	3,730,364	3,856,921
Unamortized discount on loan	79,406	87,709
	TOTAL NONCURRENT LIABILITIES	3,944,630
	3,809,770	3,944,630
	TOTAL LIABILITIES	4,083,218
	4,072,258	4,083,218
NET ASSETS		
Without donor restrictions	4,571,898	4,852,909
With donor restrictions - time or purpose, as restated	104,822	215,545
	TOTAL NET ASSETS	5,068,454
	4,676,720	5,068,454
	TOTAL LIABILITIES AND NET ASSETS	\$ 9,151,672
	\$ 8,748,978	\$ 9,151,672

See accompanying notes.

ASSOCIATION FOR THE COLONIAL THEATRE

STATEMENTS OF ACTIVITIES

August 31

	2020	2019
WITHOUT DONOR RESTRICTIONS:		
PUBLIC SUPPORT AND REVENUES		
Contributions	\$ 338,214	\$ 226,359
Capital campaign contributions	-	217,125
Grants	93,357	52,287
Membership	124,408	123,455
Admissions	421,968	886,556
Concessions	118,394	243,574
Advertising	15,860	39,600
Processing and service fees	56,500	94,460
Rental	23,688	58,464
Interest income	2,999	2,208
Net assets released from restrictions	<u>134,174</u>	<u>311,904</u>
TOTAL PUBLIC SUPPORT AND REVENUES	1,329,562	2,255,992
EXPENSES		
Program services	1,331,031	1,963,076
Management and general	142,174	93,186
Fundraising	142,368	128,027
TOTAL EXPENSES	<u>1,615,573</u>	<u>2,184,289</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(286,011)	71,703
WITH DONOR RESTRICTIONS:		
PUBLIC SUPPORT AND REVENUES		
Contributions	15,423	-
Grants	13,028	-
Net assets released from restrictions	<u>(134,174)</u>	<u>(311,904)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(105,723)</u>	<u>(311,904)</u>
CHANGE IN NET ASSETS	(391,734)	(240,201)
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>5,068,454</u>	<u>5,308,655</u>
NET ASSETS AT END OF YEAR, AS RESTATED	<u><u>\$ 4,676,720</u></u>	<u><u>\$ 5,068,454</u></u>

See accompanying notes.

ASSOCIATION FOR THE COLONIAL THEATRE

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended August 31, 2020				Year Ended August 31, 2019			
	Program Services	Management and General	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals
Salaries and wages	\$ 213,732	\$ 112,553	\$ 106,337	\$ 432,622	\$ 289,668	\$ 60,264	\$ 90,423	\$ 440,355
Payroll taxes	17,617	9,217	8,708	35,542	25,806	5,369	8,056	39,231
Employee benefits	19,116	6,510	9,900	35,526	28,878	6,008	9,014	43,900
Total employee costs	250,465	128,280	124,945	503,690	344,352	71,641	107,493	523,486
Advertising	31,284	-	2,720	34,004	43,533	-	3,800	47,333
Concessions	40,614	-	-	40,614	68,048	-	-	68,048
Conferences and meetings	2,803	-	-	2,803	2,949	-	-	2,949
Dues and licenses	3,462	-	-	3,462	4,935	-	-	4,935
Film and production costs	348,796	-	-	348,796	728,840	-	-	728,840
Fundraising	-	-	7,815	7,815	-	-	8,290	8,290
Insurance	29,597	-	-	29,597	20,540	-	-	20,540
Interest	149,886	-	-	149,886	253,703	-	-	253,703
Maintenance and repairs	53,726	-	-	53,726	63,112	-	-	63,112
Membership and events	1,409	-	4,695	6,104	6,298	-	4,514	10,812
Office and postage	1,552	2,838	1,541	5,931	2,817	6,895	3,183	12,895
Professional fees	3,000	9,392	652	13,044	3,605	11,226	747	15,578
Supplies	555	1,664	-	2,219	1,140	3,424	-	4,564
Telephone and internet	5,730	-	-	5,730	4,732	-	-	4,732
Utilities	37,477	-	-	37,477	41,979	-	-	41,979
	960,356	142,174	142,368	1,244,898	1,590,583	93,186	128,027	1,811,796
Depreciation	370,675	-	-	370,675	372,493	-	-	372,493
TOTAL FUNCTIONAL EXPENSES	\$ 1,331,031	\$ 142,174	\$ 142,368	\$ 1,615,573	\$ 1,963,076	\$ 93,186	\$ 128,027	\$ 2,184,289

See accompanying notes.

ASSOCIATION FOR THE COLONIAL THEATRE

STATEMENTS OF CASH FLOWS

	Year Ended August 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (391,734)	\$ (240,201)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	370,675	372,493
Contributions restricted for long-term capital projects	(123,751)	(537,029)
Changes in:		
Pledges receivable	123,751	311,904
Accounts receivable	7,969	(9,476)
Prepaid expenses	13,226	(34,423)
Inventory	3,584	1,016
Accounts payable	(40,892)	27,339
Accrued payroll and taxes	1,611	(1,626)
Accrued interest	17,869	-
Deferred revenue	36,973	(62,484)
	19,281	(172,487)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	19,281	(172,487)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, buildings, and equipment	(20,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for capital projects	123,751	537,029
Proceeds from payroll protection program loan	103,600	-
Repayment of long-term debt	(130,121)	(394,500)
	97,230	142,529
NET CASH PROVIDED BY FINANCING ACTIVITIES	97,230	142,529
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	96,511	(29,958)
CASH AT BEGINNING OF YEAR	377,109	407,067
CASH AT END OF YEAR	\$ 473,620	\$ 377,109
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 128,174	\$ 253,703
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Refinance of long-term debt	\$ 3,775,000	\$ -

See accompanying notes.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

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.

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

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 building improvements. 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, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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), Accountings 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, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

Concession Sales

The Association sells candy, popcorn, refreshments and posters 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 advertising for purchase from local businesses and not-for-profit organizations 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 statement 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, 2020 and 2019

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. There were no donated materials or services during the years ended August 31, 2020 and 2019.

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 such contributions of the volunteers 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, 2020 and 2019, advertising costs totaled \$34,004 and \$47,333, 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, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restatement

During the audit for the year ended August 31, 2020, it was discovered that a pledge receivable and capital campaign revenue in the amount of \$50,000 were erroneously recorded as of August 31, 2017. Net assets with donor restrictions for time or purpose were restated for the year ended August 31, 2017 to reflect this change.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition through December 17, 2020, the date the financial statements were available to be issued.

Accounting Pronouncements Adopted

The Association adopted FASB No. 2014-09, ASU 606, *Revenue from Contracts with Customers* ("Topic 606"), on July 1, 2019. Topic 606 supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The financial statements reflect the application of ASC 606 guidance using the modified retrospective approach with application to all contracts open as of September 1, 2019. There was no impact on the revenue recognized or net assets for the year ended August 31, 2019.

During the year, the Association also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. Topic 958 was applied, with no effect on the financial statements, as a result of the adoption.

NOTE 2 - PLEDGES RECEIVABLE

The Association conducted a number of capital campaigns over recent years to raise funds to purchase a building at 225 Bridge Street, design building renovations and complete construction. 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. 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.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

NOTE 2 - PLEDGES RECEIVABLE - CONTINUED

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

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 81,901	\$ 139,876
Receivable in one to five years	<u>10,423</u>	<u>79,500</u>
Total unconditional promises to give	92,324	219,376
Less: discounts to net present value (2.5%)	<u>(530)</u>	<u>(3,831)</u>
Net unconditional pledges receivable	<u>\$ 91,794</u>	<u>\$ 215,545</u>

NOTE 3 - PAYCHECK PROTECTION PROGRAM LOAN

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. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two 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.

To the extent that all or part of the PPP Loan is not forgiven, the Association will be required to pay interest on the PPP Loan at a rate of 1.0% per annum through the maturity date. The PPP Loan may be accelerated upon the occurrence of an event of default. On June 5, 2020, the Paycheck Protection Flexibility Act (the "Act") was signed into law, which allows the Association and the lender to amend certain terms of the loan in accordance with the Act. The Act also extended the repayment deferral period which is now defined as (1) when the loan forgiveness is determined by the SBA or (2) ten months after the end of the borrower's covered period if forgiveness is not requested.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

NOTE 4 - 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 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, 2020.

NOTE 5 - LONG-TERM DEBT

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

	<u>2020</u>	<u>2019</u>
Note payable to a bank in the amount of \$5,000,000 at an annual interest rate of 5.50%. The note was utilized to provide funds for the building renovation. The note was due in May 2019 and was extended until September 2019, when it was refinanced.	\$ -	\$ 3,694,630
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. Subsequent to year end in November 2020, a loan modification agreement deferred interest payments for the period of November 2020 to May 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.	3,637,525	-

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

NOTE 5 - LONG-TERM DEBT - CONTINUED

Note payable to the Borough of Phoenixville with monthly payments of \$1,389 beginning April 2021 for 15 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 \$79,406 and \$87,709 for the years ended August 31, 2020 and 2019, respectively. Total loan is in the amount of \$250,000 amortized with a 5.00% discount.

	170,594	162,291
	3,808,119	3,856,921
Unamortized deferred financing costs	(73,016)	-
Portion payable within one year	(4,739)	-
	\$ 3,730,364	\$ 3,856,921

Deferred financing costs represent fees and expenses related to the re-financing of the construction note in September 2019. The financing costs are amortized on a straight-line basis over the 20 year term of the related loan. The amortization expense for the years ended August 31, 2020 and 2019 was \$3,843 and \$0, respectively, and is included in interest expense.

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

2021	\$ 4,739
2022	57,298
2023	124,601
2024	128,979
2025	133,527
2026 - 2030	742,248
2031 - 2035	885,416
2036 - 2040	1,731,311
	\$ 3,808,119

Total interest expense for the years ended August 31, 2020 and 2019 was \$149,886 and \$253,703, respectively.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

NOTE 6 - NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Time or purpose:		
Capital improvements pledges	\$ 81,371	\$ 215,545
Annual appeal pledges	10,423	-
Ovations program	5,000	-
Science on screen	1,178	-
Film programs	1,850	-
Young audiences concerts	<u>5,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 104,822</u>	<u>\$ 215,545</u>

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

	<u>2020</u>	<u>2019</u>
Capital improvements	\$ 134,174	\$ 311,904

NOTE 7 - RELATED PARTY TRANSACTIONS

The Association recognized contributions from the Community Coalition of \$91,326 and \$82,000 for the years ended August 31, 2020 and 2019, respectively. Members of the Association board serve on the board of the Community Coalition.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

NOTE 8 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Association's financial assets as of August 31, 2020 and 2019, reduced by amounts not available for general use within one year because of donor-imposed restrictions. The Association's financial assets include cash, accounts receivables, and pledges receivables. The Association has restricted funds.

	<u>2020</u>	<u>2019</u>
Cash	\$ 473,620	\$ 377,109
Accounts receivable	1,801	9,770
Pledges receivable	<u>91,794</u>	<u>215,545</u>
Total financial assets available to meet cash needs for general expenses within one year	567,215	602,424
Less amounts not available due to donor-imposed restrictions:		
Donor time or purpose restrictions	<u>(104,822)</u>	<u>(215,545)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 462,393</u>	<u>\$ 386,879</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 - COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has caused major disruptions worldwide. The ongoing pandemic poses increased and unexpected business risks. The specific impact of the pandemic and the duration of the disruption is not determinable as of the report date; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management is carefully monitoring the impact of the pandemic and taking steps to mitigate the impact. In March 2020, the Association closed and cancelled movie showings and live events. In accordance with state regulations and safety protocols, the Association was able to re-open on a limited basis in July 2020.

ASSOCIATION FOR THE COLONIAL THEATRE

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

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 twelve 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.