THE PHOENIX THEATRE, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

THE PHOENIX THEATRE, INC. AND SUBSIDIARY
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YEARS ENDED JUNE 30, 2015 AND 2014

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Phoenix Theatre, Inc. and Subsidiary
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of The Phoenix Theatre, Inc. and Subsidiary (Theatre), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
The Phoenix Theatre, Inc. and Subsidiary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Phoenix Theatre, Inc. and Subsidiary as of June 30, 2015 and 2014, and their changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
October 29, 2015

THE PHOENIX THEATRE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 158,952	$ 491,538
Accounts Receivable	2,656	9,597
Pledges Receivable	179,498	228,823
Prepaid Expenses and Other Assets	210,444	159,224
Donated Facility Space Receivable, Current Portion	547,600	547,600
Donated Utility Allowance Receivable, Current Portion	68,547	68,547
Total Current Assets	1,167,697	1,505,329
PLEDGES RECEIVABLE, NET		
Less Current Maturities and Unamortized Discount	60,000	130,000
COSTUME INVENTORY	60,353	60,353
PROPERTY AND EQUIPMENT, Net	2,477,684	1,209,785
ASSETS RESTRICTED FOR CAPITAL CAMPAIGN		
Pledges Receivable, Less Allowance and Unamortized Discount	1,671,242	2,216,782
Total Assets Restricted for Capital Campaign	1,671,242	2,216,782
DONATED FACILITY SPACE RECEIVABLE, Net	11,664,937	11,805,042
DONATED UTILITY ALLOWANCE RECEIVABLE, Net	1,460,183	1,477,721
LIQUOR LICENSE	73,127	74,664
Total Assets	$ 18,635,223	$ 18,479,676
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 332,955	$ 91,331
Accrued Expenses and Other Liabilities	51,658	79,613
Deferred Revenue	963,265	1,065,772
Current Maturities of Notes Payable	470,102	141,023
Lines of Credit	-	1,800,000
Total Current Liabilities	1,817,980	3,177,739
NOTES PAYABLE, Less Current Maturities	2,098,208	261,985
Total Liabilities	3,916,188	3,439,724
NET ASSETS		
Unrestricted	(1,184,263)	(1,511,363)
Temporarily Restricted	15,858,298	16,506,315
Permanently Restricted	45,000	45,000
Total Net Assets	14,719,035	15,039,952
Total Liabilities and Net Assets	$ 18,635,223	$ 18,479,676

See accompanying Notes to Financial Statements.

THE PHOENIX THEATRE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND PUBLIC SUPPORT				
Performance Programs	$ 2,675,110	$ -	$ -	$ 2,675,110
Ticket Servicing Revenue	187,695	-	-	187,695
Contributions	663,452	501,851	-	1,165,303
Special Events	405,903	-	-	405,903
Less Direct Donor Expenses	(53,395)	-	-	(53,395)
Academy	211,340	-	-	211,340
Rental Income	191,421	-	-	191,421
In-Kind Contributions	337,760	-	-	337,760
Other Revenue	5,364	-	-	5,364
Net Assets Released from Restrictions	1,149,868	(1,149,868)	-	-
Total Revenues and Public Support	5,774,518	(648,017)	-	5,126,501
EXPENSES				
Program Services	3,809,234	-	-	3,809,234
Supporting Services:				
Management and General	1,257,696	-	-	1,257,696
Fundraising	514,313	-	-	514,313
Total Functional Expenses	5,581,243	-	-	5,581,243
OTHER INCOME (EXPENSE)				
Gain on Sale of Disposal of Real Property	66,504	-	-	66,504
Gain on Extinguishment of Debt	67,321	-	-	67,321
Net Other Income (Expense)	133,825	-	-	133,825
CHANGES IN NET ASSETS	327,100	(648,017)	-	(320,917)
Net Assets - Beginning of Year	(1,511,363)	16,506,315	45,000	15,039,952
NET ASSETS - END OF YEAR	$ (1,184,263)	$ 15,858,298	$ 45,000	$ 14,719,035

See accompanying Notes to Financial Statements.

THE PHOENIX THEATRE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND PUBLIC SUPPORT				
Performance Programs	$ 3,379,380	$ -	$ -	$ 3,379,380
Ticket Servicing Revenue	234,139	-	-	234,139
Contributions	881,487	2,237,546	-	3,119,033
Special Events	421,039	-	-	421,039
Less Direct Donor Expenses	(44,804)	-	-	(44,804)
Academy	157,057	-	-	157,057
Rental Income	87,218	-	-	87,218
In-Kind Contributions	539,997	10,471,007	-	11,011,004
Other Revenue	58	-	-	58
Net Assets Released from Restrictions	1,473,700	(1,473,700)	-	-
Total Revenues and Public Support	7,129,271	11,234,853	-	18,364,124
EXPENSES				
Program Services	4,266,206	-	-	4,266,206
Supporting Services:				
Management and General	1,192,316	-	-	1,192,316
Fundraising	543,516	-	-	543,516
Total Functional Expenses	6,002,038	-	-	6,002,038
Contribution to City of Phoenix for New Theater and Box Office	78,938	-	-	78,938
Total Expenses	6,080,976	-	-	6,080,976
CHANGES IN NET ASSETS	1,048,295	11,234,853	-	12,283,148
Net Assets - Beginning of Year	(2,559,658)	5,271,462	45,000	2,756,804
NET ASSETS - END OF YEAR	$ (1,511,363)	$ 16,506,315	$ 45,000	$ 15,039,952

See accompanying Notes to Financial Statements.

THE PHOENIX THEATRE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	$ 1,873,006	$ 319,246	$ 262,851	$ 2,455,103
Employee Benefits and Payroll Taxes	192,330	56,219	47,343	295,892
Total Personnel Costs	2,065,336	375,465	310,194	2,750,995
Education Activities	13,970	-	-	13,970
Bad Debt Expense	-	115,523	-	115,523
Bank Fees	-	96,080	-	96,080
Concessions	87,605	-	-	87,605
Fundraising	-	-	195,862	195,862
In-Kind Expense	440,003	-	-	440,003
Insurance	28,107	11,832	-	39,939
Interest	-	130,547	-	130,547
Miscellaneous	10,839	5,439	6,662	22,940
Production Materials	224,050	-	-	224,050
Production Travel and Housing	66,442	-	-	66,442
Professional Services	183,841	121,297	-	305,138
Program Marketing	-	300,308	-	300,308
Repairs and Maintenance	27,256	19,461	-	46,717
Royalties	253,933	-	-	253,933
Supplies	40,509	36,746	143	77,398
Travel and Housing	47,438	22,557	-	69,995
Utilities	142,303	22,441	1,452	166,196
Total Expenses Before Depreciation and Amortization	3,631,632	1,257,696	514,313	5,403,641
Depreciation and Amortization	177,602	-	-	177,602
TOTAL FUNCTIONAL EXPENSES	$ 3,809,234	$ 1,257,696	$ 514,313	$ 5,581,243

See accompanying Notes to Financial Statements.

THE PHOENIX THEATRE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	$ 1,978,946	$ 250,813	$ 250,444	$ 2,480,203
Employee Benefits and Payroll Taxes	186,810	43,956	43,956	274,722
Total Personnel Costs	2,165,756	294,769	294,400	2,754,925
Education Activities	13,393	-	-	13,393
Bad Debt Expense	-	17,611	-	17,611
Bank Fees	-	117,713	-	117,713
Concessions	97,377	-	-	97,377
Fundraising	-	-	233,273	233,273
In-Kind Expense	606,529	6,053	6,053	618,635
Insurance	26,381	3,721	-	30,102
Interest	-	101,217	-	101,217
Miscellaneous	25,024	10,025	4,088	39,137
Production Materials	316,975	-	-	316,975
Production Travel and Housing	85,105	-	-	85,105
Professional Services	254,616	58,172	-	312,788
Program Marketing	-	476,910	-	476,910
Repairs and Maintenance	11,168	13,560	-	24,728
Royalties	339,648	-	-	339,648
Supplies	38,853	42,171	162	81,186
Travel and Housing	23,943	9,854	-	33,797
Utilities	138,251	28,152	1,411	167,814
Total Expenses Before Depreciation and Amortization	4,143,019	1,179,928	539,387	5,862,334
Depreciation and Amortization	123,187	12,388	4,129	139,704
TOTAL FUNCTIONAL EXPENSES	$ 4,266,206	$ 1,192,316	$ 543,516	$ 6,002,038

See accompanying Notes to Financial Statements.

THE PHOENIX THEATRE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ (320,917)	$ 12,283,148
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	177,602	139,704
Gain on Disposal of Real Property	(66,504)	-
Gain on Extinguishment of Debt	(67,321)	-
Donated Facility Space Receivable, Net	140,105	(9,207,968)
Donated Utility Allowance Receivable, Net	17,538	(1,184,401)
Change in Discount on Pledges Receivable	32,025	(49,574)
Increase (Decrease) in Cash Resulting from Changes in:		
Accounts Receivable	6,941	(685)
Pledges Receivable	87,300	163,064
Prepaid Expenses and Other Assets	(51,220)	80,818
Liquor License	1,537	(54,949)
Accounts Payable	241,624	(213,094)
Accrued Expenses and Other Liabilities	(27,955)	16,560
Deferred Revenue	(102,507)	50,929
Net Cash Provided By Operating Activities	68,248	2,023,552
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in Restricted Cash	-	273,255
Purchases of Property and Equipment	(1,702,305)	(476,957)
Proceeds from Sale of Real Property	323,308	-
Net Cash Used in Investing Activities	(1,378,997)	(203,702)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Capital Campaign Pledges	627,459	903,697
Changes in Capital Campaign Pledges Receivable	(81,919)	(2,147,926)
Proceeds from Notes Payable	3,126,250	437,430
Repayments on Notes Payable	(893,627)	(37,892)
Payments on Line of Credit	(1,800,000)	(500,000)
Net Cash Provided (Used by) Financing Activities	978,163	(1,344,691)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(332,586)	475,159
Cash and Cash Equivalents - Beginning of Year	491,538	16,379
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 158,952	$ 491,538
SUPPLEMENTAL INFORMATION		
Interest Paid	$ 130,547	$ 101,217
In-Kind Contributions	$ 337,760	$ 77,887
In-Kind Contribution of Facility Space	$ 547,600	$ 9,688,558
In-Kind Contribution of Utilities	$ 68,547	$ 1,244,559

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Phoenix Theatre, Inc., (Theatre) founded in 1920 as Phoenix Little Theatre, was incorporated in 1945, as a not-for-profit corporation under the laws of the State of Arizona.

The Theatre is a community oriented 501(c)(3) non-profit professional theatre company serving the Phoenix Metropolitan area. The Theatre is one of the largest local theatrical organizations in the community. The Theatre's principal programming is a series of main stage performances consisting of musicals, comedy and drama. The season typically consists in excess of six productions from September through May.

The Theatre also has acting programs and classes available to the public, as well as a contract with a local school to provide drama instruction, an after school program, and drama curriculum.

During 2015, the Theatre established Phoenix Theatre Real Estate, LLC (Subsidiary) as a separate entity to hold apartments that were purchased for actor housing. The Theatre is the sole member of the Subsidiary.

Basis of Presentation

The Theatre's financial statements have been prepared in accordance with the American Institute of Certified Public Accountants (AICPA) Not-For-Profit Industry Guidance within the Financial Accounting Standards Board (FASB) Codification (Guidance). Under the Guidance, the Theatre is required to provide financial statements which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets

Unrestricted net assets are not subject to donor imposed stipulations and are those currently available at the discretion of the Board of Directors for use in the Theatre's operations, in accordance with its bylaws. Temporarily restricted assets received and expended in the same year are classified as unrestricted.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by the Theatre and/or the passage of time.

Permanently Restricted Net Assets

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the total aggregate contributions remain in perpetuity and a portion of total investment return is available as unrestricted or temporarily restricted, as per the endowment agreements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted explicitly by donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications to unrestricted net assets.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Theatre and Subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes cash and may, at times, include cash equivalents, which consist of highly liquid investments with original maturities of three months or less when acquired.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect under the terms of the service contracts and agreements. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based on its assessment of the current status of individual contracts. Account balances with invoices over one year old are considered delinquent. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of receivables. As of June 30, 2015 and 2014, there was no allowance for doubtful accounts recorded as management believes all accounts receivable balances were collectible.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Monies received pursuant to conditional promises are reflected as deferred revenue. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates as determined by management that are applicable to the years in which the promises are made. Amortization of the discount is included in contribution support. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of receivables.

Costume Inventory

The Theatre maintains an inventory of costumes and records such inventory at cost.

Property and Equipment

Purchased property and equipment are initially recorded at cost and donated property and equipment are recorded at the fair value at the date of gift to the Theatre. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of stated amounts are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in operations. Property and equipment costing $500 or more were capitalized. Depreciation of property and equipment is computed on a straight-line basis over the following general range of estimated useful lives:

Buildings and Improvements	15 to 28 years
Furniture and Equipment	3 to 15 years
Vehicles	7 years

Donations of property and equipment are recorded as contributions at the estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding its use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Theatre reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Theatre reclassifies temporarily restricted net assets to unrestricted net assets at that time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Theatre reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators were present at June 30, 2015 and 2014.

Donated Facility Space and Utility Allowance Receivable

The donated facility space and utility allowance receivable is comprised of a multi-year contribution from the City of Phoenix, Arizona. This unconditional promise to give is recorded at the present value of the estimated fair value of the rents. The discount on these amounts was computed using an interest rate of 3.25%, as determined by management, and is applicable to the years in which the promise is to be received. Amortization of the discount is included in contribution support (Note 9).

Deferred Revenue

Cash received from ticket sales in advance for the subsequent year’s performance is deferred until the period in which the performance is presented.

Performance Revenue

Performance revenue is recorded from ticket sales for performances and is recognized in the period the performance is presented.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished or a donor removes a restriction), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Events Revenue

The Theatre conducts special events in which a portion of the gross proceeds paid by the participant represents payments for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Theatre. The direct costs of the special events which ultimately benefit the donor rather than the Theatre are included in special events revenues and then expensed as costs of direct donor benefits.

Donated Services and Materials

Donated property, equipment, materials and services are recognized as contributions at their estimated values on the date of receipt. The Theatre utilizes volunteer services in several areas of operations. Volunteer services that require special skills and otherwise need to be purchased by the program, are recorded as support and expense in the period provided. Nonprofessional volunteer hours are not recorded as revenue or expense in the accompanying consolidated financial statements.

Advertising

Advertising costs are expensed when incurred.

Functional Expenses

The costs to the Theatre of providing the various programs and other activities have been presented on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs are allocated based on salary and square footage percentages.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 consolidated financial statement presentation with no effect on previously reported 2014 net assets or changes in net assets.

Income Tax Status

The Phoenix Theatre, Inc. qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and accordingly, there is no provision for corporate income taxes in the accompanying financial statements. In addition, this Theatre qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable. The Subsidiary is a disregarded entity for income tax reporting purposes since it has only one member.

The Theatre and subsidiary have no uncertain tax positions as of June 30, 2015 and 2014.

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2015	
	Capital Campaign	Program Related
Pledges Receivable Before Unamortized Discount	$ 1,764,469	$ 350,426
Less Unamortized Discount	(46,427)	(1,278)
Total	1,718,042	349,148
Less Allowance for Uncollectibles	(46,800)	(109,650)
Pledges Receivable, Net	$ 1,671,242	$ 239,498
Amounts due in:		
Less than One Year	$ 571,402	$ 290,426
One to Five Years	1,192,938	60,000
Total	$ 1,764,340	$ 350,426

	2014	
	Capital Campaign	Program Related
Pledges Receivable Before Unamortized Discount	$ 2,342,034	$ 358,823
Less Unamortized Discount	(78,452)	-
Total	2,263,582	358,823
Less Allowance for Uncollectibles	(46,800)	-
Pledges Receivable, Net	$ 2,216,782	$ 358,823
Amounts Due in:		
Less than One Year	$ 608,527	$ 228,823
One to Five Years	1,733,507	130,000
Total	$ 2,342,034	$ 358,823

The discount rate used to determine the present value of the pledges receivable balance is a rate considered appropriate for the expected repayment term. For the years ended June 30, 2015 and 2014, the discount rate was 1.63% and 1.62%, respectively. One capital pledge accounted for 81% of the capital related pledge receivable balance as of June 30, 2015. Two capital related pledges account for 86% of the capital related pledge receivable balance as of June 30, 2014.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	2014
Building and Improvements	$ 2,545,752	$ 1,259,937
Furniture and Equipment	1,746,851	1,616,604
Computer Equipment and Software	223,291	223,291
Vehicles	57,282	57,282
	4,573,176	3,157,114
Less Accumulated Depreciation and Amortization	(2,095,492)	(1,947,329)
Property and Equipment, Net of Accumulated Depreciation and Amortization	$ 2,477,684	$ 1,209,785

Depreciation and amortization expense charged to operations was $177,602 and $139,704 during the years ended June 30, 2015 and 2014, respectively.

The buildings and land occupied by the Theatre are owned by the City of Phoenix and are leased to the Theatre under a long-term lease agreement. See Note 9 for details.

NOTE 4 NOTES PAYABLE

During fiscal year 2015, the Subsidiary took out a term loan with Wells Fargo to finance the purchase of apartments for the purpose of actor housing. The Note payable matures December 1, 2019. Interest is payable monthly at 4.50%. There was a balance of $1,006,592 as of June 30, 2015.

In October 2014, the Theatre refinanced two lines of credit with a term loan with Wells Fargo. The Note payable matures March 31, 2020 with interest due monthly at 5.0% and annual principal payments. There was a balance of $1,300,000 as of June 30, 2015. During fiscal year 2014, the Theatre took out a term loan with Wells Fargo to finance equipment for the new theatre. The Note payable matures March 31, 2017. Interest is payable monthly at 4.3%.

At June 30, 2015, the Theatre was not in compliance with certain of its covenants. The Theatre obtained a waiver of noncompliance from the bank for its debt coverage ratio covenant subsequent to year end.

NOTE 4 NOTES PAYABLE (CONTINUED)

Note payable consists of the following:

	2015	2014
Note payable to bank; due in monthly installments of $12,973, including interest at 4.3%, due March 31, 2017. (Capital Campaign)	$ 261,718	$ 403,008
Note payable to bank with original amount of $1,800,000; due in monthly interest payments and annual principal payments, including interest at 5.0%, due March 31, 2020; collateralized by real property. (Capital Campaign)	1,300,000	-
Note payable to a bank; due in monthly installments of $5,704, including interest at 4.50%, due December 1, 2019; collateralized by real property. (Apartments)	1,006,592	-
Total	2,568,310	403,008
Less current maturities	(470,102)	(141,023)
Note payable, less current maturities	$ 2,098,208	$ 261,985

Future maturities of the note payable are as follows:

2016	$ 470,102
2017	438,537
2018	225,177
2019	226,350
2020	1,208,144
Total	$ 2,568,310

NOTE 5 LINES OF CREDIT

During 2015, the Theatre obtained financing in the form of a note with total principal of $1,800,000, of which part of the proceeds was used to pay the lines of credit outstanding in full (see Note 4). For the year ended June 30, 2014, the outstanding balance on the lines of credit was $1,800,000. This was comprised of a line of credit with outstanding balance of $1,000,000 as of June 30, 2014, secured by a certificate of deposit of an outside party with interest payable monthly at a rate of 1% below the prime rate (2.25% as of June 30, 2014), and a line of credit with outstanding balance of $800,000 as of June 30, 2014, secured by inventory, equipment and fixtures with interest payable monthly at the prime rate (3.25% as of June 30, 2014). As of June 30, 2015, the lines of credit were paid in full and closed.

NOTE 6 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2015	2014
Program Restrictions	$ 90,000	$ 223,000
Capital Campaign Pledges Receivable and Restricted Cash	1,718,042	2,263,582
Time Restrictions	308,989	120,823
Donated Facility Space Receivable	12,212,537	12,352,642
Donated Utility Allowance Receivable	1,528,730	1,546,268
Total	$ 15,858,298	$ 16,506,315

Net assets of $1,149,868 and $1,473,700 were released from restriction during 2015 and 2014, respectively.

NOTE 7 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of funds for which the donors stipulate the principal is to be maintained in perpetuity. The earnings and net appreciation on these funds are unrestricted and temporarily restricted and are allocated for specific purposes by the Theatre's Board of Directors or in accordance with the donor agreement. The Theatre had $45,000 of permanently restricted net assets at June 30, 2015 and 2014.

NOTE 8 OPERATING LEASES

The Theatre leases office equipment under an operating lease agreement that expires on July 2015. Minimum future payments under this noncancelable operating lease after June 30, 2015, are as follows:

Years Ending June 30	
2015	$ 1,491
2016	373
2017	-
Total Minimum Future Rental Payments	$ 1,864

Total rental expense for operating leases with terms in excess of one month was approximately $16,100 and $15,400 during the years ended June 30, 2015 and 2014, respectively.

NOTE 9 FACILITIES OPERATING LEASE

Since the 1950's, the Theatre has leased the land and theatre facilities from the City of Phoenix for a nominal fee. The Theatre entered into a new agreement to lease the Theatre facilities from the City of Phoenix for 59 years, effective January 1, 1997. The annual lease payment for the building rent is $1. The estimated value of the annual rent was in excess of $547,600 during the years ended June 30, 2015 and 2014. In addition, according to the lease agreement, the Theatre is responsible for the utility costs of the facilities and maintenance costs for the shared common areas in excess of a yearly allowance. This utility allowance is based on the actual cost of utilities for the year ended June 30, 1993. This baseline amount is indexed annually for inflation with the Consumer Price Index.

In connection with the Black Box Theatre capital expansion project, the lease was amended in March of 2014, and the cancellation policy was not included in the update. Based on the operating agreement terms, the Theatre is receiving an unconditional promise to give for the use of the facility and the utility allowance for the entirety of the contract, through December 31, 2055.

At June 30, the donated facility space and utility allowance receivable consists of the following:

	2015	
	Donated Facility Space Receivable	Utility Allowance Receivable
Receivable Amount Before Unamortized Discount	$ 22,451,600	$ 2,810,427
Less Unamortized Discount	(10,239,063)	(1,281,697)
Total	$ 12,212,537	$ 1,528,730
Amounts Due in:		
Less than One Year	$ 547,600	$ 68,547
Over One Year	21,904,000	2,741,880
Total	$ 22,451,600	$ 2,810,427

	2014	
	Donated Facility Space Receivable	Utility Allowance Receivable
Receivable Amount Before Unamortized Discount	$ 22,999,200	$ 2,878,974
Less Unamortized Discount	(10,646,558)	(1,332,706)
Total	$ 12,352,642	$ 1,546,268
Amounts Due in:		
Less than One Year	$ 547,600	$ 68,547
One to Five Years	22,451,600	2,810,427
Total	$ 22,999,200	$ 2,878,974

NOTE 10 EMPLOYEE RETIREMENT PLAN

During the year ended June 30, 2006, the Theatre adopted a 403(b) retirement plan. All employees of the Theatre are eligible for participation in the plan. The Theatre is not obligated and has elected not to contribute to this plan for the years ended June 30, 2007 through June 30, 2015. The Theatre does not have any unfunded liabilities associated with this retirement plan.

NOTE 11 RELATED PARTY TRANSACTIONS

In December 2007, the Theatre entered into a box office, ticketing services and rental fee sharing agreement(s) with Playhouse on the Park, LLC, formerly Theatre Management Consultants, LLC (TMC), an Arizona based for profit LLC owned and managed by the Theatre's Managing Director. The agreements provide that the Theatre will have the exclusive rights to provide box office and ticketing services to TMC clients performing at Playhouse on the Park at Viad Corporate Center and TMC will have overlapping use of the Theatre's office equipment and staff support in booking the venue. TMC does not occupy or lease office space from or at the Theatre. The revenue share between TMC and PT shall be at the rate of a fifty percent split of a 10% rental fee collected by TMC from all TMC clients at Playhouse on the Park. The 10% fee is calculated based on total rent charged to TMC clients. Additionally, the revenue share between PT and TMC shall be at the rate of a fifty percent split of all box office per ticket fee revenue charged to the ticket buyers by PT on behalf of TMC clients. These agreements renew each year for a one year term on November 30 unless a 30 day notice of termination is issued by one of the parties. The total amount of revenue earned from this relationship was $7,269 and $5,259 for the years ended June 30, 2015 and 2014, respectively. Further, for the years ended June 30, 2015 and 2014, there was $-0- and $63, respectively, in accounts receivable due to this relationship.

NOTE 12 CONCENTRATION OF CREDIT RISK

The Theatre maintains all of its cash with high-credit quality financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. As of June 30, 2015 and 2014, a portion of cash balances exceeded the balance insured by the FDIC.

NOTE 13 SUBSEQUENT EVENTS

Subsequent to year end, the theatre received a $1,500,000 gift.

Management evaluated subsequent events through October 29, 2015, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to October 29, 2015, that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the consolidated financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2015.