

THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018



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**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10



INDEPENDENT AUDITORS' REPORT

Board of Directors
The Phoenix Theatre Company and Subsidiary
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of The Phoenix Theatre Company and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, 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 Company and Subsidiary

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Phoenix Theatre Company and Subsidiary as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, management adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 31, 2020

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,187,291	\$ 999,990
Accounts Receivable	39,868	28,160
Pledges Receivable, Net	57,210	53,930
Prepaid Expenses and Other Assets	262,379	350,410
Assets Held for Sale	-	45,000
Donated Facility Space Receivable, Current Portion	547,600	547,600
Donated Utility Allowance Receivable, Current Portion	68,547	68,547
Total Current Assets	2,162,895	2,093,637
PLEDGES RECEIVABLE, Net		
Less: Current Maturities and Unamortized Discount	-	5,000
ASSETS RESTRICTED FOR CENTENNIAL CAMPAIGN PLEDGES		
Receivable, Less: Allowance and Unamortized Discount	1,141,886	1,297,445
INVESTMENTS		
	577,295	432,953
COSTUME INVENTORY		
	60,353	60,353
LIQUOR LICENSE		
	73,127	73,127
PROPERTY AND EQUIPMENT, Net		
	3,628,741	2,581,062
DONATED FACILITY SPACE RECEIVABLE, Net		
	11,061,844	11,216,277
DONATED UTILITY ALLOWANCE RECEIVABLE, Net		
	1,384,690	1,404,021
Total Assets	\$ 20,090,831	\$ 19,163,875
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 200,356	\$ 204,816
Accrued Expenses and Other Liabilities	488,941	392,707
Deferred Revenue	1,614,505	1,277,154
Line of Credit	749,468	-
Current Maturities of Note Payable	908,955	26,350
Total Current Liabilities	3,962,225	1,901,027
NOTE PAYABLE, Less: Current Maturities		
Total Liabilities	-	907,878
	3,962,225	2,808,905
NET ASSETS		
Without Donor Restrictions:		
Includes Board-Designated Funds of \$896,024 for 2019 and \$918,151 for 2018	638,789	1,515,203
With Donor Restrictions	15,489,817	14,839,767
Total Net Assets	16,128,606	16,354,970
Total Liabilities and Net Assets	\$ 20,090,831	\$ 19,163,875

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND PUBLIC SUPPORT			
Performance Programs	\$ 5,647,663	\$ -	\$ 5,647,663
Ticket Servicing Revenue	437,145	-	437,145
Contributions	873,096	1,213,329	2,086,425
Special Events	440,102	-	440,102
Less: Direct Donor Expenses	(120,773)	-	(120,773)
Academy	247,733	-	247,733
Rental Income	90,738	-	90,738
In-Kind Contributions	343,028	-	343,028
Miscellaneous Income	16,808	-	16,808
Net Assets Released from Restrictions	<u>563,279</u>	<u>(563,279)</u>	<u>-</u>
Total Revenues and Public Support	8,538,819	650,050	9,188,869
EXPENSES			
Program Services	6,145,374	-	6,145,374
Supporting Services:			
Management and General	2,275,044	-	2,275,044
Fundraising	<u>753,840</u>	<u>-</u>	<u>753,840</u>
Total Expenses	9,174,258	-	9,174,258
OTHER EXPENSES			
Unrealized Loss on Investments	<u>(240,975)</u>	<u>-</u>	<u>(240,975)</u>
Total Other Expenses	<u>(240,975)</u>	<u>-</u>	<u>(240,975)</u>
CHANGES IN NET ASSETS	(876,414)	650,050	(226,364)
Net Assets - Beginning of Year	<u>1,515,203</u>	<u>14,839,767</u>	<u>16,354,970</u>
NET ASSETS - END OF YEAR	<u>\$ 638,789</u>	<u>\$ 15,489,817</u>	<u>\$ 16,128,606</u>

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND PUBLIC SUPPORT			
Performance Programs	\$ 4,275,812	\$ -	\$ 4,275,812
Ticket Servicing Revenue	293,337	-	293,337
Contributions	1,054,076	2,148,845	3,202,921
Special Events	432,100	-	432,100
Less: Direct Donor Expenses	(47,796)	-	(47,796)
Academy	232,641	-	232,641
Rental Income	157,337	-	157,337
In-Kind Contributions	297,284	-	297,284
Other Revenue	2,848	-	2,848
Net Assets Released from Restrictions	1,520,832	(1,520,832)	-
Total Revenues and Public Support	8,218,471	628,013	8,846,484
EXPENSES			
Program Services	4,895,921	-	4,895,921
Supporting Services:			
Management and General	1,866,123	-	1,866,123
Fundraising	827,591	-	827,591
Total Expenses	7,589,635	-	7,589,635
OTHER EXPENSES			
Unrealized Gain on Investments	1,807	-	1,807
Gain on Disposal of Property and Equipment	2,498	-	2,498
Total Other Expenses	4,305	-	4,305
CHANGES IN NET ASSETS	633,141	628,013	1,261,154
Net Assets - Beginning of Year	882,062	14,211,754	15,093,816
NET ASSETS - END OF YEAR	\$ 1,515,203	\$ 14,839,767	\$ 16,354,970

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 2,880,473	\$ 670,959	\$ 337,104	\$ 3,888,536
Employee Benefits and Payroll Taxes	372,790	86,997	43,709	503,496
Total Personnel Costs	<u>3,253,263</u>	<u>757,956</u>	<u>380,813</u>	<u>4,392,032</u>
Education Activities	69,950	-	-	69,950
Bad Debt Expense (Recovery)	-	5,500	-	5,500
Bank Fees	-	186,190	-	186,190
Concessions	236,074	-	-	236,074
Donor Development	-	-	99,415	99,415
In-Kind Expense	493,459	-	1,000	494,459
Insurance	36,691	3,687	1,843	42,221
Interest	-	64,566	-	64,566
Miscellaneous	60,304	64,972	-	125,276
Production Materials	289,659	-	11,562	301,221
Production Travel and Housing	72,380	-	-	72,380
Professional Services	324,735	78,928	21,583	425,246
Program Marketing	-	1,019,667	-	1,019,667
Repairs and Maintenance	43,346	5,099	2,550	50,995
Royalties	704,033	-	-	704,033
Supplies	107,125	16,738	4,810	128,673
Travel and Housing	5,736	18,962	324,647	349,345
Utilities	181,384	21,339	10,670	213,393
Total Expenses Before Depreciation and Amortization	<u>5,878,139</u>	<u>2,243,604</u>	<u>858,893</u>	<u>8,980,636</u>
Depreciation and Amortization	267,235	31,440	15,720	314,395
Total	<u>6,145,374</u>	<u>2,275,044</u>	<u>874,613</u>	<u>9,295,031</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:				
Special Event Expenses	<u>-</u>	<u>-</u>	<u>(120,773)</u>	<u>(120,773)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 6,145,374</u>	<u>\$ 2,275,044</u>	<u>\$ 753,840</u>	<u>\$ 9,174,258</u>

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 2,414,195	\$ 526,271	\$ 336,783	\$ 3,277,249
Employee Benefits and Payroll Taxes	365,297	64,790	74,889	504,976
Total Personnel Costs	<u>2,779,492</u>	<u>591,061</u>	<u>411,672</u>	<u>3,782,225</u>
Education Activities	18,069	-	-	18,069
Bad Debt Expense (Recovery)	-	(15)	-	(15)
Bank Fees	-	149,595	-	149,595
Concessions	212,037	-	-	212,037
Donor Development	-	-	135,091	135,091
In-Kind Expense	394,769	-	-	394,769
Insurance	39,276	5,345	-	44,621
Interest	-	62,341	-	62,341
Miscellaneous	20,096	26,671	12,228	58,995
Production Materials	267,033	-	-	267,033
Production Travel and Housing	68,896	-	-	68,896
Professional Services	219,503	108,846	-	328,349
Program Marketing	-	771,244	-	771,244
Repairs and Maintenance	32,502	18,871	-	51,373
Royalties	384,499	-	-	384,499
Supplies	45,552	30,206	228	75,986
Travel and Housing	1,493	15,775	266,915	284,183
Special Event Expenses	-	-	47,796	47,796
Utilities	142,747	34,795	1,457	178,999
Total Expenses Before Depreciation and Amortization	<u>4,625,964</u>	<u>1,814,735</u>	<u>875,387</u>	<u>7,316,086</u>
Depreciation and Amortization	269,957	51,388	-	321,345
Total	<u>4,895,921</u>	<u>1,866,123</u>	<u>875,387</u>	<u>7,637,431</u>
Less: Expenses Netted Against Revenues on the Statement of Activities:				
Special Event Expenses	<u>-</u>	<u>-</u>	<u>(47,796)</u>	<u>(47,796)</u>
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 4,895,921</u>	<u>\$ 1,866,123</u>	<u>\$ 827,591</u>	<u>\$ 7,589,635</u>

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (226,364)	\$ 1,261,154
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	314,395	321,345
(Gain) Loss on Disposal of Real Property	-	(2,498)
Donated Facility Space Receivable, Net	154,433	154,433
Donated Utility Allowance Receivable, Net	19,331	19,331
Donated Investments	(262,500)	(112,000)
Unrealized Loss (Gain) on Investments	240,975	(1,807)
Change in Discount on Pledges Receivable	6,524	27,486
Changes in Cash Resulting from Changes in:		
Accounts Receivable	(11,708)	(15,667)
Pledges Receivable	1,720	31,870
Prepaid Expenses and Other Assets	88,031	(111,350)
Assets Held for Sale	45,000	(45,000)
Accounts Payable	(4,460)	69,746
Accrued Expenses and Other Liabilities	96,234	168,083
Deferred Revenue	337,351	58,975
Net Cash Provided by Operating Activities	798,962	1,824,101
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(122,817)	(147,982)
Proceeds from Sale of Property and Equipment	-	2,498
Purchases of Property and Equipment	(1,362,074)	(285,628)
Net Cash Used by Investing Activities	(1,484,891)	(431,112)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Centennial Campaign Pledges	745,335	538,257
Changes in Centennial Campaign Pledges Receivable	(596,300)	(1,801,516)
Borrowings on Line of Credit	749,468	-
Repayments on Notes Payable	(25,273)	(25,270)
Net Cash Provided (Used) by Financing Activities	873,230	(1,288,529)
NET INCREASE IN CASH AND CASH EQUIVALENTS	187,301	104,460
Cash and Cash Equivalents - Beginning of Year	999,990	896,230
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,187,291	\$ 1,000,690

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 64,566	\$ 62,341
In-Kind Contributions	\$ 343,028	\$ 297,284
In-Kind Contribution of Facility Space	\$ 547,600	\$ 547,600
In-Kind Contribution of Utilities	\$ 68,547	\$ 68,547
Donated Stock	\$ 262,500	\$ 112,700
Donated Assets Held for Sale	\$ -	\$ 76,960
SUMMARY OF CASH AND CASH EQUIVALENT ACCOUNTS		
Operating	\$ 291,267	\$ 82,539
Working Capital Reserve	600,025	588,161
Facility Reserve	-	-
Artistic Reserve	295,999	329,990
Total Cash and Cash Equivalents - End of Year	\$ 1,187,291	\$ 1,000,690

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Phoenix Theatre Company and Subsidiary (the Theatre) founded in 1920 as Phoenix Little Theatre, was incorporated in 1945, as a nonprofit corporation under the laws of the state of Arizona.

The Theatre is a community oriented 501(c)(3) nonprofit professional theatre company serving the Phoenix Metropolitan area. The Theatre is a multifaceted organization whose charitable endeavors extend to over 500 performances a year, apprenticeship programs, theatre classes and workshops, theatre camps for children, and Partners that Heal.

The Theatre currently encompasses three sites: the main campus, a 24-unit apartment complex that houses out of town talent and apprentices; and a warehouse used for set design and construction, as well as overflow offices and storage space. One of the Theatre's objectives is the sustainability of theatre – which includes everything from preparing the next generation of actors, set builders, costume designers, etc. to developing new plays and musicals.

During 2015, the Theatre established Phoenix Theatre Real Estate, LLC (the 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.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a working capital reserve, facility reserve and an artistic reserve.

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

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, 2019 and 2018, there was no allowance for doubtful accounts recorded as management believes all accounts receivable balances were collectible.

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held for Sale

Assets held for sale consist of donated retail products that the Theatre intends to sell. The assets are stated at the estimated sales value at the time of donation.

Investments

Investments, consisting primarily of common stock, with readily determinable market values are measured at fair value as of year-end in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) are recognized in the statements of activities and changes in net assets.

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

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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 net assets without donor restrictions 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.

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, 2019 and 2018.

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 11).

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.

Revenue

Performance revenue is recorded from ticket sales for performances and is recognized in the period the performance is presented. Academy (summer camp) revenue is recorded in the month in which the students attend classes.

Contributions

Contributions received are recorded depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, unless the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Otherwise when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Centennial Campaign

The Centennial Campaign is committed to raising \$20 million by 2020. Funds received through the Centennial Campaign are initially recorded as net assets with donor restrictions. Management's policy and allocation for release of the funds, unless explicitly determined from the donor, is as follows; the first \$500 thousand received will supplement the working capital reserve fund and the artistic reserve fund, the next \$13 million received will be used to fund bricks and mortar costs for theatre and building expansion, and the remaining \$6.5 million will be used for furniture, fixtures and equipment, retirement of debt on the apartment building, as well as marketing, branding and other costs associated with launching the new theatre space.

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.

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Phoenix Theatre Company and Subsidiary qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), 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 IRC 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, 2019 and 2018.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Theatre has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly.

Reclassification

Certain amounts in 2018 have been reclassified for comparative purposes to conform to the 2019 presentation. The reclassifications have no effect on previously reported net income or equity.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 1,187,291
Accounts Receivable	39,868
Investments	577,295
Less: Centennial Campaign Pledges Restricted Cash	(1,008,436)
Less: Program Restrictions	(219,604)
Total	<u>\$ 576,414</u>

Although the Theatre does not intend to spend from this board-designated reserves (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary. In addition, the Theatre has a line of credit that they can draw on.

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Theatre uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Fair value measurements framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Fair value measurements define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the nature and risks of the categories of assets by major security type.

Corporate Stock, and Other Funds Listed on a National Market or Exchange: Are valued at the last sales price, or if there is no sale and the market is still considered active at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

The Theatre also invests in the Arizona Community Foundation, Inc. (ACF) pool. The fair value of these investments is based on its investment percentage in the investment pool. The ACF pool is invested in cash, equity securities, bonds, and other investments. This investment is classified within Level 3 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Theatre believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents assets measured at fair value by classification within the fair value hierarchy as of June 30, 2019 and 2018:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<u>June 30, 2019</u>				
Corporate Stock	\$ 306,496	\$ -	\$ -	\$ 306,496
Arizona Community Foundation	-	-	270,799	270,799
Total Investments	<u>\$ 306,496</u>	<u>\$ -</u>	<u>\$ 270,799</u>	<u>\$ 577,295</u>
<u>June 30, 2018</u>				
Corporate Stock	\$ 284,971	\$ -	\$ -	\$ 284,971
Arizona Community Foundation	-	-	147,982	147,982
Total Investments	<u>\$ 284,971</u>	<u>\$ -</u>	<u>\$ 147,982</u>	<u>\$ 432,953</u>

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30:

	2019	2018
Balance - Beginning of Year	\$ 147,982	\$ -
Contributions	375,000	150,000
Distributions	(250,000)	-
Realized and Unrealized Gains (Losses)	(2,183)	(2,018)
Balance - End of Year	<u>\$ 270,799</u>	<u>\$ 147,982</u>

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable consist of the following at June 30, 2019 and 2018:

	2019	
	Centennial Campaign	Program Related
Pledges Receivable Before Unamortized Discount	\$ 1,191,509	\$ 58,240
Less: Unamortized Discount	(21,198)	-
Total	1,170,311	58,240
Less: Allowance for Uncollectibles	(28,425)	(1,030)
Pledges Receivable, Net	<u>\$ 1,141,886</u>	<u>\$ 57,210</u>
Amounts Due in:		
Less than One Year	\$ 731,284	\$ 58,240
One to Five Years	460,225	-
Total	<u>\$ 1,191,509</u>	<u>\$ 58,240</u>

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 4 PLEDGES RECEIVABLE (CONTINUED)

	2018	
	Centennial Campaign	Program Related
Pledges Receivable Before Unamortized Discount	\$ 1,345,092	\$ 61,380
Less: Unamortized Discount	(27,722)	-
Total	1,317,370	61,380
Less: Allowance for Uncollectibles	(19,925)	(2,450)
Pledges Receivable, Net	\$ 1,297,445	\$ 58,930
Amounts Due in:		
Less than One Year	\$ 699,933	\$ 56,380
One to Five Years	645,159	5,000
Total	\$ 1,345,092	\$ 61,380

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, 2019 and 2018, the discount rate was 1.00%. Three capital pledges for the Centennial campaign accounted for 82% of the Centennial Campaign pledge receivable balance as of June 30, 2019. Three capital related pledges accounted for 77% of the Centennial Campaign pledge receivable balance as of June 30, 2018. The capital campaign pledges receivable are reflected as long-term assets as the amounts collected are to be expended on long-term assets.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Building and Improvements	\$ 2,657,591	\$ 2,581,984
Furniture and Equipment	3,031,721	2,532,861
Computer Equipment and Software	-	947
Vehicles	85,625	85,625
Construction in Progress	788,554	-
Total	6,563,491	5,201,417
Less: Accumulated Depreciation and Amortization	(2,934,750)	(2,620,355)
Property and Equipment, Net	\$ 3,628,741	\$ 2,581,062

Depreciation and amortization expense charged to operations was \$314,395 and \$321,345 during the years ended June 30, 2019 and 2018, 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 11 for details.

THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 6 NOTE 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. Interest was payable monthly at 5.25%.

The note payable consisted of the following:

	2019	2018
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)	\$ 908,955	\$ 934,228
Total	908,955	934,228
Less: Current Maturities	(908,955)	(26,350)
Note Payable, Less Current Maturities	\$ -	\$ 907,878

Future maturities of the note payable were as follows:

Year Ending June 30,	Amount
2020	\$ 908,955
Total	\$ 908,955

The note payable matured December 1, 2019, and subsequent to year-end was paid in full (See Note 16).

NOTE 7 LINE OF CREDIT

The Theatre has a revolving line of credit of \$800,000 and \$500,000 available at June 30, 2019 and 2018, respectively. The line of credit is renewed annually, with a maturity date of December 1, 2019. Subsequent to year-end, the line of credit was renewed through December 1, 2020. Interest is payable monthly at 1.75% above the bank index rate. The line of credit is secured by inventory and equipment. The line of credit outstanding balances as of June 30, 2019 was \$749,468. There was no balance drawn on the line of credit at June 30, 2018.

NOTE 8 BOARD DESIGNATED

During 2016, the board of directors of the Theatre designated funds to establish three reserve funds, the Artistic Risk Reserve Enhancement Fund, the Facility Reserve Fund, and the Working Capital Reserve Fund.

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 8 BOARD DESIGNATED (CONTINUED)

The Artistic Risk Reserve Enhancement Fund was created with the intent to allow the Theater to take advantage of artistic opportunities, fund larger scale productions that present artistic risk, experiment with new theatrical forms, initiate multi-year development of new works, and take on unique artistic and technical challenges with plays or musicals that are remarkable in scope and/or scale with confidence.

The Facility Reserve Fund shall be used for the purpose of equipment acquisition to replace aging equipment or acquire new equipment and/or technology, as well as building upgrades.

The Working Capital Reserve Fund was created with the intent to build and maintain an adequate level of net assets without donor restrictions to support the Theatre's day-to-day operations in the event of unforeseen shortfalls. The fund may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure.

The reserve funds consisted of the following at June 30, 2019 and 2018:

	2019			
	Working Capital Reserve	Facility Reserve	Artistic Reserve	Total
Board-Designated Funds -				
Beginning Balance	\$ 588,161	\$ -	\$ 329,990	\$ 918,151
Contributions	131,480	-	75,000	206,480
Expenditures	(119,616)	-	(108,991)	(228,607)
Income	-	-	-	-
Board-Designated Funds -				
Ending Balance	<u>\$ 600,025</u>	<u>\$ -</u>	<u>\$ 295,999</u>	<u>\$ 896,024</u>
	2018			
	Working Capital Reserve	Facility Reserve	Artistic Reserve	Total
Board-Designated Funds -				
Beginning Balance	\$ 500,619	\$ -	\$ 298,404	\$ 799,023
Contributions	375,245	-	56,499	431,744
Expenditures	(290,767)	-	(25,000)	(315,767)
Income	3,064	-	87	3,151
Board-Designated Funds -				
Ending Balance	<u>\$ 588,161</u>	<u>\$ -</u>	<u>\$ 329,990</u>	<u>\$ 918,151</u>

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Program Restrictions	\$ 219,604	\$ 247,106
Centennial Campaign Pledges Restricted Cash	1,008,436	-
Donated Facility Space Receivable	11,609,444	11,763,877
Donated Utility Allowance Receivable	1,453,237	1,472,568
Subject to the Passage of Time:		
Program Pledges Receivable	57,210	58,771
Centennial Campaign Pledges Receivable	1,141,886	1,297,445
Total	<u>\$ 15,489,817</u>	<u>\$ 14,839,767</u>

Net assets of \$563,279 and \$1,520,832 were released from restriction during 2019 and 2018, respectively.

NOTE 10 OPERATING LEASES

The Theatre leases office equipment under an operating lease agreement that expires in August 2019. Minimum future payments under this noncancelable operating lease after June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	<u>\$ 4,879</u>

Total rental expense for operating leases with terms in excess of one month was approximately \$12,813 and \$14,005 during the years ended June 30, 2019 and 2018, respectively.

NOTE 11 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 and \$547,600 during the years ended June 30, 2019 and 2018, respectively.

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 11 FACILITIES OPERATING LEASE (CONTINUED)

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.

The donated facility space and utility allowance receivable consists of the following at June 30:

	2019	
	Donated Facility Space Receivable	Utility Allowance Receivable
Receivable Amount Before Unamortized Discount	\$ 20,206,440	\$ 2,536,239
Less: Unamortized Discount	(8,596,996)	(1,083,002)
Total	\$ 11,609,444	\$ 1,453,237
Amounts Due in:		
Less than One Year	\$ 547,600	\$ 68,547
Over One Year	19,658,840	2,467,692
Total	\$ 20,206,440	\$ 2,536,239
	2018	
	Donated Facility Space Receivable	Utility Allowance Receivable
Receivable Amount Before Unamortized Discount	\$ 20,754,040	\$ 2,604,786
Less: Unamortized Discount	(8,990,163)	(1,132,218)
Total	\$ 11,763,877	\$ 1,472,568
Amounts Due in:		
Less than One Year	\$ 547,600	\$ 68,547
One to Five Years	20,206,440	2,536,239
Total	\$ 20,754,040	\$ 2,604,786

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 12 EMPLOYEE RETIREMENT PLANS

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, 2019. The Theatre does not have any unfunded liabilities associated with this retirement plan.

During the year ended June 30, 2018, the Theatre implemented a defined contribution plan (the Plan) qualified under Section 401(k) of the IRC covering substantially all full-time employees. The Plan provides that employees who have attained the age of 21 and completed one year of service can voluntarily contribute a percentage of their salary to the Plan, up to the maximum contribution allowed by the Internal Revenue Service. Employer contributions to the Plan are discretionary and require board approval. The Theatre matches employee contributions up to 100% of the first 2% of deferrals, and vest at a graduated rate over four years of employment. During the years ended June 30, 2019 and 2018, the Theatre matched employee voluntary contributions up to 100% of the first 2% of deferrals, resulting in contributions to the Plan of \$22,462 and \$21,428, respectively

NOTE 13 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 (Playhouse), 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 Playhouse clients performing at Playhouse on the Park at Central Arts Plaza and Playhouse will have overlapping use of the Theatre's office equipment and staff support in booking the venue. Playhouse does not occupy or lease office space from, or at, the Theatre. The revenue share between Playhouse and the Theatre shall be at the rate of a 50% split of a 10% rental fee collected by Playhouse from all Playhouse clients at Playhouse on the Park. The 10% fee is calculated based on total rent charged to Playhouse clients. Additionally, the revenue share between the Theatre and Playhouse shall be at the rate of a 50% split of all box office per ticket fee revenue charged to the ticket buyers by the Theatre on behalf of Playhouse 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 by the Theatre from this relationship \$15,409 and \$12,481 for the years ended June 30, 2019 and 2018, respectively. Furthermore, for both the years ended June 30, 2019 and 2018, there was \$-0- in accounts receivable due to this relationship.

NOTE 14 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, 2019 and 2018, a portion of cash balances exceeded the balance insured by the FDIC.

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 15 CONCENTRATION OF CONTRIBUTION RISK

During the year ended June 30, 2019, the Theatre received approximately 87% of contributions for the Centennial Campaign from two contributors, and received 26% of operational contributions from 5 donors. Overall, the Theatre received approximately 36% and 34% of its revenue from two contributors during the years ended June 30, 2019 and 2018, respectively. Approximately 79% and 81% of the capital campaign pledge balance was due from two contributors as of June 30, 2019 and 2018, respectively. Approximately 77% of the pledges receivable balance was due from three contributors as of June 30, 2019 and 2018.

NOTE 16 SUBSEQUENT EVENTS

On January 14, 2020, the Theatre refinanced the note payable for a long-term note, collateralized by a deed of trust and assignment of all rents, with principal of \$2,100,000, with monthly interest payments of \$12,801 commencing February 14, 2020 through maturity January 24, 2030, when a final payment of \$1,273,229 due.

On October 16, 2019, the wholly owned subsidiary, the Phoenix Theatre Real Estate, LLC was dissolved and the assets held were transferred to the Theatre Company

Management evaluated subsequent events through January 31, 2020, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2019, but prior to January 31, 2020, that provided additional evidence about conditions that existed at June 30, 2019, have been recognized in the consolidated financial statements for the year ended June 30, 2019. Events or transactions that provided evidence about conditions that did not exist at June 30, 2019, 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, 2019.

NOTE 17 NEW ACCOUNTING STANDARDS

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's financial statements.

**THE PHOENIX THEATRE COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 17 NEW ACCOUNTING STANDARDS (CONTINUED)

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Theatre to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Theatre expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Theatre for the year ended June 30, 2020; however, early application is permitted. Management is evaluating the impact of the amended guidance for recognizing revenue on the entity's financial statements.

