

**FILM ACTION OREGON  
dba HOLLYWOOD THEATRE**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**FILM ACTION OREGON DBA HOLLYWOOD THEATRE**

**FINANCIAL STATEMENTS**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Film Action Oregon dba Hollywood Theatre  
Portland, Oregon

We have audited the accompanying financial statements of Film Action Oregon dba Hollywood Theatre (a non-profit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 auditors' 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 above present fairly, in all material respects, the financial position of Film Action Oregon dba Hollywood Theatre as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

The financial statements of Film Action Oregon dba Hollywood Theatre as of June 30, 2016, were audited by other auditors whose report dated January 24, 2017 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Kern & Thompson, LLC*

Portland, Oregon  
February 12, 2018

**FILM ACTION OREGON  
dba HOLLYWOOD THEATRE**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2017**

(With Comparative Totals as of June 30, 2016)

**ASSETS**

	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 837,917	\$ 774,157
Accounts receivable	3,696	17,944
Grants and pledges receivable	199,369	173,750
Prepaid expenses and other assets, net	4,983	13,595
Property and equipment, net	1,847,845	1,765,515
<b>Total assets</b>	<b>\$ 2,893,810</b>	<b>\$ 2,744,961</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 92,301	\$ 97,716
Accrued payroll	61,638	54,821
Deferred revenue	32,184	26,708
Unearned rent revenue	6,108	27,830
Notes payable	171,194	216,480
<b>Total liabilities</b>	<b>363,425</b>	<b>423,555</b>
<b>Net assets</b>		
Unrestricted		
Undesignated	708,734	509,166
Net investment in property and equipment	1,676,651	1,549,035
Total unrestricted	2,385,385	2,058,201
Temporarily restricted	145,000	263,205
<b>Total net assets</b>	<b>2,530,385</b>	<b>2,321,406</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,893,810</b>	<b>\$ 2,744,961</b>

See notes to financial statements.

**FILM ACTION OREGON  
dba HOLLYWOOD THEATRE**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2017**

(With Comparative Totals for the Year Ended June 30, 2016)

	Temporarily		Total	
	Unrestricted	Restricted	2017	2016
<b>Grants, contributions and other support</b>				
Tickets and concession revenue	\$ 1,986,329	\$ -	\$ 1,986,329	\$ 2,050,512
Contributions and grants	181,441	318,921	500,362	853,152
Donated assets and services	12,846	-	12,846	75,341
Dues and memberships	338,297	-	338,297	191,884
Program fees and tuition	9,399	-	9,399	5,133
Rent income	100,882	-	100,882	86,430
Other income	13,954	-	13,954	4,510
Loss on disposal of property and equipment	(54,022)	-	(54,022)	(53,580)
	<u>2,589,126</u>	<u>318,921</u>	<u>2,908,047</u>	<u>3,213,382</u>
Net assets released from restrictions	<u>437,126</u>	<u>(437,126)</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<b><u>3,026,252</u></b>	<b><u>(118,205)</u></b>	<b><u>2,908,047</u></b>	<b><u>3,213,382</u></b>
<b>Expenses</b>				
Program services				
Theatre programs	1,849,994	-	1,849,994	1,790,581
Building operation	241,028	-	241,028	217,352
Concessions	388,949	-	388,949	357,376
Total program expenses	<u>2,479,971</u>	<u>-</u>	<u>2,479,971</u>	<u>2,365,309</u>
Supporting services				
General and administrative	91,458	-	91,458	76,741
Fundraising	127,639	-	127,639	92,707
<b>Total expenses</b>	<b><u>2,699,068</u></b>	<b><u>-</u></b>	<b><u>2,699,068</u></b>	<b><u>2,534,757</u></b>
<b>Change in net assets</b>	<b>327,184</b>	<b>(118,205)</b>	<b>208,979</b>	<b>678,625</b>
Net assets, beginning of year	<u>2,058,201</u>	<u>263,205</u>	<u>2,321,406</u>	<u>1,642,781</u>
<b>Net assets, end of year</b>	<b><u>\$ 2,385,385</u></b>	<b><u>\$ 145,000</u></b>	<b><u>\$ 2,530,385</u></b>	<b><u>\$ 2,321,406</u></b>

See notes to financial statements.

**FILM ACTION OREGON  
dba HOLLYWOOD THEATRE**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2017**

(With Comparative Totals for the Year Ended June 30, 2016)

	<u>PROGRAM SERVICES</u>			<u>SUPPORTING SERVICES</u>			<u>Total</u>	
	<u>Theatre Programs</u>	<u>Building Operation</u>	<u>Concessions</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2017</u>	<u>2016</u>
Salaries and related expenses	\$ 544,073	\$ -	\$ -	\$ 544,073	\$ 58,017	\$ 106,539	\$ 708,629	\$ 728,194
Professional fees	315,761	-	-	315,761	30,163	-	345,924	210,771
Film and facility rental	664,883	-	-	664,883	739	-	665,622	624,541
Production expenses	16,267	-	-	16,267	-	3,968	20,235	12,443
Advertising	17,351	-	-	17,351	-	-	17,351	31,627
Building repairs and maintenance	-	82,689	-	82,689	210	462	83,361	24,321
Equipment and maintenance	3,530	-	-	3,530	-	-	3,530	15,565
Occupancy	-	88,410	-	88,410	-	-	88,410	71,549
Telephone	-	9,166	-	9,166	-	-	9,166	7,784
Depreciation and amortization	125,594	-	-	125,594	-	-	125,594	101,590
Insurance	-	29,742	-	29,742	1,373	-	31,115	29,058
Concessions and supplies	24,639	16,366	388,949	429,954	74	3,536	433,564	483,526
Postage	20,424	-	-	20,424	66	-	20,490	16,177
Printing	8,606	-	-	8,606	-	4,335	12,941	9,642
Conferences and travel	29,479	-	-	29,479	415	1,225	31,119	48,845
Bank fees	72,603	-	-	72,603	-	3,824	76,427	75,760
Interest	-	13,130	-	13,130	-	-	13,130	15,605
Miscellaneous	6,784	1,525	-	8,309	401	3,750	12,460	27,759
<b>Total expenses</b>	<b>\$ 1,849,994</b>	<b>\$ 241,028</b>	<b>\$ 388,949</b>	<b>\$ 2,479,971</b>	<b>\$ 91,458</b>	<b>\$ 127,639</b>	<b>\$ 2,699,068</b>	<b>\$ 2,534,757</b>

See notes to financial statements.

**FILM ACTION OREGON  
dba HOLLYWOOD THEATRE**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2017**

(With Comparative Totals for the Year Ended June 30, 2016)

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 208,979	\$ 678,625
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	125,594	101,590
Loss on disposal of property and equipment	54,022	53,580
Capitalized donated services	-	(60,000)
Changes in assets and liabilities:		
Accounts receivable	14,248	(12,210)
Grants and pledges receivable	(25,619)	(173,750)
Other assets	8,612	(2,953)
Accounts payable	(5,415)	74,410
Accrued payroll	6,817	(3,401)
Deferred revenue	5,476	1,694
Unearned rent income	(21,722)	(30,972)
<b>Net cash provided by (used in) operating activities</b>	<b>370,992</b>	<b>626,613</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(261,946)	(354,655)
<b>Net cash provided by (used in) investing activities</b>	<b>(261,946)</b>	<b>(354,655)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	(45,286)	(42,901)
<b>Net cash provided by (used in) financing activities</b>	<b>(45,286)</b>	<b>(42,901)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>63,760</b>	<b>229,057</b>
Cash and cash equivalents, beginning of year	774,157	545,100
<b>Cash and cash equivalents, end of year</b>	<b>\$ 837,917</b>	<b>\$ 774,157</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 13,130	\$ 15,605

See notes to financial statements.

## FILM ACTION OREGON DBA HOLLYWOOD THEATRE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017

#### NOTE A – DESCRIPTION OF ORGANIZATION

Film Action Oregon (the Organization or the Theatre) is a nonprofit organization founded in 1992 to support independent Oregon film and video. In 1997 the Organization purchased the Hollywood Theatre (the Theatre). At that time, the Organization's goal was to immediately preserve and gradually rehabilitate this nationally recognized historic venue. Since reopening under Organization management, the Theatre has once again become a vital part of the neighborhood that bears its name.

In addition to serving as a movie house for classic, family and art films, the Hollywood Theatre is also a venue for many community events hosted by other nonprofits. The Theatre screens over 300 independent, foreign and documentary films each year and continues to assist the Oregon film community by serving as a venue for the world premieres of locally produced films and videos.

The Hollywood Theatre offers an impressive array of media arts programs for young people, providing enriching educational experiences for hundreds of youth. Hollywood Theatre educational programs include "Animate It!", fun, educational, and affordable animation workshops for youth; "Hollywood Theatre Studio," a number of production labs across Portland that engage youth in media making; "Stories in Movement," a digital storytelling program that provides young artists with a sense of awareness that their individual stories are part of the collective history of their community; and the "Hollywood Arts Collective", a collaboration amongst Portland teens interested in film programming, digital art creation and critique.

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor imposed stipulations. Temporarily restricted net assets are subject to donor imposed stipulations that will be met, either by actions of the Organization and/or the passage of time.

##### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

##### Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management writes off account balances at the time accounts are determined to be uncollectible. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year/end will be immaterial. Accounts receivable are unsecured.



**FILM ACTION OREGON DBA HOLLYWOOD THEATRE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants and Pledges Receivable**

Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

**Property and Equipment**

Additions to property and equipment of \$2,000 and greater are capitalized. Property and equipment purchased are recorded at cost. Depreciation is provided on a straight/line basis over the estimated useful lives of the respective assets, which is generally 39 years for buildings and building improvements and 3 to 7 years for furniture and equipment.

**Income Tax Status**

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

**Ticket Sales, Concession Revenue and Group Rent**

Ticket sales and concession revenue are recognized as revenues in the period earned as the related films are presented. Additionally, all or a portion of the Theatre is periodically rented out to private groups. Income from group rentals is recorded in the period in which the space is rented. Payments received in advance for tickets and group rentals are recorded as deferred revenue.

**Restricted and Unrestricted Revenue and Support**

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

**Donated Assets and Services**

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2017, the Organization received donated services of approximately \$12,846; \$10,749 in general and administrative for legal, accounting and branding services and \$2,097 in program for various services.

**FILM ACTION OREGON DBA HOLLYWOOD THEATRE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Agency Transactions – Sponsored Film Projects**

The Organization holds funds on behalf of the film partners as part of the sponsored film projects. The Organization receives and disburses funds as agreed upon by the Organization and film partners. No contribution revenue or expense is reported in the financial statements for these transactions. Instead, the activity is accounted for in a liability account. Unspent funds are recorded as deferred revenue.

Total activity for the year ended June 30, 2017 is as follows:

Beginning balance	\$	-
Funds received		162,183
Funds disbursed		<u>(162,183)</u>
Ending balance	\$	<u><u>-</u></u>

**Advertising**

The Organization expenses advertising costs in the year in which the advertising first takes place. Advertising expenses approximated \$17,351 during the year ended June 30, 2017.

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**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 and 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.

**Prior Year Summarized Financial Information**

The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

**FILM ACTION OREGON DBA HOLLYWOOD THEATRE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017**

**NOTE C – GRANTS AND PLEDGES RECEIVABLE**

Grants and pledges receivable at June 30, 2017 include grants from private foundations which are expected to be collected within one year.

**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30, 2017:

Land	\$	84,650
Building and improvements		1,699,142
Furniture and equipment		635,077
Website		60,000
Work in process		<u>128,298</u>
		2,607,167
Less accumulated depreciation		<u>(759,322)</u>
	\$	<u><u>1,847,845</u></u>

**NOTE E – UNEARNED RENT REVENUE**

The Organization is the lessor in two leasing arrangements whereby the tenants incurred all costs for building improvements in exchange for rent payments over the terms of the leases. Improvements totaling approximately \$148,500 were capitalized with an offset to unearned rent revenue. The Organization recognizes rent revenue of approximately \$2,600 per month over the terms of the leases. The leases expire December 2016 and November 2017.

Rent revenue of approximately \$25,686 was recognized relating to the above leasing arrangements for the year ended June 30, 2017.

**NOTE F – NOTES PAYABLE AND LINE OF CREDIT**

Notes payable at June 30, 2017 consist of the following:

Note payable to the State of Oregon, Department of Energy in monthly installments of \$2,254 including interest at 6.5% through November 30, 2020. The note is secured by real and personal property.	\$	80,480
Note payable to the State of Oregon, Department of Energy in monthly installments of \$2,614 including interest at 6.5% through November 2020. The note is secured by real and personal property.		<u>90,714</u>
	\$	<u><u>171,194</u></u>

**FILM ACTION OREGON DBA HOLLYWOOD THEATRE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017**

**NOTE F – NOTES PAYABLE AND LINE OF CREDIT (CONTINUED)**

Future principal payments on notes payable are as follows:

Year Ending June 30,	
2018	\$ 48,319
2019	51,563
2020	55,019
2021	<u>16,293</u>
	<u>\$ 171,194</u>

The Organization has an active line of credit with a borrowing rate of 10% and maximum credit limit of \$35,000. No draws were outstanding as of June 30, 2017.

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2017 are restricted as follows:

Capital projects	\$ 20,000
Hollywood Theatre @ PDX	80,000
Sponsorships	1,250
Other educational programming	<u>43,750</u>
	<u>\$ 145,000</u>

**NOTE H – LEASE COMMITMENTS**

A lease agreement was entered into beginning September 2015 and expiring August 2018. Monthly base rent is \$2,193 with annual rent increases. The Organization also leases a color copier for \$202 per month under an operating lease agreement through May 2018.

Total lease expense for the year ended June 30, 2017 approximated \$24,850.

Future annual minimum lease payments are as follows:

Year Ending June 30,	
2018	\$ 27,818
2019	<u>4,654</u>
	<u>\$ 32,472</u>

**FILM ACTION OREGON DBA HOLLYWOOD THEATRE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2017**

**NOTE I – RETIREMENT PLAN**

In 2015, the Organization began a SIMPLE IRA plan. Employees are immediately eligible to participate and may elect to contribute an amount not to exceed certain limits. The Organization determines annually a matching or discretionary contribution amount. All contributions are fully and immediately vested. Total plan contributions for 2017 totaled \$9,921.

**NOTE J – CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash balances in several financial institutions located in Portland, Oregon. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Cash balances in excess of FDIC limits approximated \$49,000 at June 30, 2017.

**NOTE K – RELATED PARTY DISCLOSURE**

A board member provided in-kind professional services approximating \$11,040 during the year ended June 30, 2017. An employee in charge of programming contracts for various independent programs received \$18,839 for ticket sales related to independent programming for the year ended June 30, 2017.

**NOTE L – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 12, 2018, which is the date the financial statements were available to be issued.

The Organization purchased the assets of Movie Madness for \$264,928 effective January 1, 2018. The purchase was funded entirely through a Kickstarter campaign.

The Organization paid off one of its notes payable in the amount of \$78,777 on July 31, 2017.