

FILM ACTION OREGON  
dba HOLLYWOOD THEATRE

FINANCIAL STATEMENTS

Year Ended June 30, 2019



KERN ▲ THOMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

**FILM ACTION OREGON dba HOLLYWOOD THEATRE**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

**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, 2019, 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, 2019, 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.

***Other Matters***

***Report on Summarized Comparative Information***

We have previously audited Film Action Oregon dba Hollywood Theatre's 2018 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated January 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Kern & Thompson, LLC*

Portland, Oregon  
February 17, 2020

**FILM ACTION OREGON  
dba HOLLYWOOD THEATRE**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

(With Comparative Totals as of June 30, 2018)

**ASSETS**

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 1,470,058	\$ 1,345,050
Accounts receivable	5,817	18,303
Grants and pledges receivable	64,411	134,532
Property and equipment, net	1,746,399	1,736,386
Rental video assets, net	280,581	290,256
Other assets	38,946	14,899
<b>Total assets</b>	<b>\$ 3,606,212</b>	<b>\$ 3,539,426</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 50,748	\$ 59,402
Accrued payroll	96,384	79,663
Deferred revenue	56,840	54,941
Notes payable	36,326	64,357
<b>Total liabilities</b>	<b>240,298</b>	<b>258,363</b>

**Net assets**

Without donor restrictions		
Undesignated	1,338,934	1,174,421
Net investment in property and equipment	1,746,399	1,736,386
Net investment in rental video assets	280,581	290,256
Total without donor restrictions	3,365,914	3,201,063
With donor restrictions	-	80,000
<b>Total net assets</b>	<b>3,365,914</b>	<b>3,281,063</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,606,212</b>	<b>\$ 3,539,426</b>

See notes to financial statements.

**FILM ACTION OREGON  
dba HOLLYWOOD THEATRE**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2019**

(With Comparative Totals for the Year Ended June 30, 2018)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
			<b>2019</b>	<b>2018</b>
<b>Revenue and support</b>				
Tickets and concession revenue	\$ 2,226,807	\$ -	\$ 2,226,807	\$ 2,557,575
Contributions and grants	313,849	16,204	330,053	596,461
Donated assets and services	32,420	-	32,420	65,465
Dues and memberships	409,298	-	409,298	342,590
Program fees and tuition	6,728	-	6,728	3,483
Video revenue	450,467	-	450,467	220,460
Rent income	127,734	-	127,734	104,175
Other income	165,029	-	165,029	24,515
	<u>3,732,332</u>	<u>16,204</u>	<u>3,748,536</u>	<u>3,914,724</u>
Net assets released from restrictions	96,204	(96,204)	-	-
<b>Total revenue and support</b>	<b><u>3,828,536</u></b>	<b><u>(80,000)</u></b>	<b><u>3,748,536</u></b>	<b><u>3,914,724</u></b>
<b>Expenses</b>				
Program services	3,338,708	-	3,338,708	2,926,416
Supporting services				
General and administrative	117,816	-	117,816	83,334
Fundraising	207,161	-	207,161	154,296
<b>Total expenses</b>	<b><u>3,663,685</u></b>	<b><u>-</u></b>	<b><u>3,663,685</u></b>	<b><u>3,164,046</u></b>
<b>Change in net assets</b>	<b>164,851</b>	<b>(80,000)</b>	<b>84,851</b>	<b>750,678</b>
Net assets, beginning of year	<u>3,201,063</u>	<u>80,000</u>	<u>3,281,063</u>	<u>2,530,385</u>
<b>Net assets, end of year</b>	<b><u>\$ 3,365,914</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,365,914</u></b>	<b><u>\$ 3,281,063</u></b>

See notes to financial statements.

**FILM ACTION OREGON  
dba HOLLYWOOD THEATRE**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2019**

(With Comparative Totals for the Year Ended June 30, 2018)

	<u>SUPPORTING SERVICES</u>			<u>Total</u>	
	<u>PROGRAM SERVICES</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2019</u>	<u>2018</u>
Salaries and related expenses	\$ 1,140,324	\$ 29,687	\$ 167,371	\$ 1,337,382	\$ 960,901
Professional fees	112,367	72,008	1,650	186,025	84,605
Programming expenses	892,102	-	6,500	898,602	968,621
Facilities expense	235,274	10,300	106	245,680	120,643
Occupancy	123,739	1,692	6,486	131,917	145,605
Telephone	16,613	278	1,064	17,955	14,775
Depreciation and amortization	182,755	-	-	182,755	179,684
Insurance	32,592	1,437	-	34,029	6,778
Concessions	431,299	-	-	431,299	430,097
Supplies	8,732	49	6,398	15,179	15,134
Software licensing	4,869	27	4,759	9,655	29,147
Postage	23,761	189	1,066	25,016	38,338
Printing	8,732	49	6,398	15,179	24,730
Conferences and travel	21,311	778	4,140	26,229	17,732
Bank fees	97,855	-	-	97,855	107,090
Interest	3,337	-	-	3,337	5,547
Miscellaneous	3,046	1,322	1,223	5,591	14,619
<b>Total expenses</b>	<b>\$ 3,338,708</b>	<b>\$ 117,816</b>	<b>\$ 207,161</b>	<b>\$ 3,663,685</b>	<b>\$ 3,164,046</b>

See notes to financial statements.

**FILM ACTION OREGON  
dba HOLLYWOOD THEATRE**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2019**

(With Comparative Totals for the Year Ended June 30, 2018)

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 84,851	\$ 750,678
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	182,755	179,684
Sale of covenant	(93,500)	-
Changes in assets and liabilities:		
Accounts receivable	12,486	(14,607)
Grants and pledges receivable	70,121	64,837
Other assets	(24,047)	(9,916)
Accounts payable	(8,654)	(32,899)
Accrued payroll	16,721	18,025
Deferred revenue	1,899	22,757
Unearned rent income	-	(6,108)
<b>Net cash provided by (used in) operating activities</b>	<b>242,632</b>	<b>972,451</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(183,093)	(358,481)
Proceeds from sale of covenant	93,500	-
<b>Net cash provided by (used in) investing activities</b>	<b>(89,593)</b>	<b>(358,481)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	(28,031)	(106,837)
<b>Net cash provided by (used in) financing activities</b>	<b>(28,031)</b>	<b>(106,837)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>125,008</b>	<b>507,133</b>
Cash and cash equivalents, beginning of year	1,345,050	837,917
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,470,058</b>	<b>\$ 1,345,050</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 3,337	\$ 5,547

See notes to financial statements.

## FILM ACTION OREGON dba HOLLYWOOD THEATRE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

#### 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.

In 2016, in partnership with the Port of Portland, the Hollywood Theatre opened a first-of-its-kind free microcinema at Portland International Airport. The microcinema serves the Portland International Airport's 16 million annual visitors. Ticketed passengers can drop in free of charge to watch films while waiting for their flights. The Hollywood Theatre at PDX features short films by Oregon filmmakers.

In 2018, Film Action Oregon conducted a successful fundraising campaign to acquire Movie Madness, the iconic video store, and Portland institution, with over 80,000 titles. Keeping the extensive film collection open and available to the public is a natural fit with the Organization's mission to preserve and promote the art of film. It is comprised of a diverse array of subjects and genres, including foreign films, social issue documentaries, and a robust section of LGBTQ films, which translates to endless opportunities for the Hollywood's diversity and educational initiatives.

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

##### Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.



**FILM ACTION OREGON dba HOLLYWOOD THEATRE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

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

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**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.

**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 and Rental Video Assets**

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, 3 to 7 years for furniture and equipment, and 30 years for rental video assets.

**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.

**FILM ACTION OREGON dba HOLLYWOOD THEATRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

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

**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 also 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.

**Advertising**

The Organization expenses advertising costs in the year in which the advertising first takes place. Advertising expenses were \$16,716 during the year ended June 30, 2019.

**Functional Allocation of Expenses**

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

**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, 2018, from which the summarized information was derived.

**NOTE C – GRANTS AND PLEDGES RECEIVABLE**

Grants and pledges receivable at June 30, 2019 are expected to be collected within one year.

**FILM ACTION OREGON dba HOLLYWOOD THEATRE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

**NOTE D – PROPERTY AND EQUIPMENT AND RENTAL VIDEO ASSETS**

Property and equipment and rental video assets consist of the following as of June 30, 2019:

Land	\$	84,650
Building and improvements		1,884,160
Furniture and equipment		702,561
Website		60,000
Work in process		122,194
		<u>2,853,565</u>
Less accumulated depreciation		<u>(1,107,166)</u>
	\$	<u><u>1,746,399</u></u>
Rental video assets	\$	295,176
Less accumulated depreciation		<u>(14,595)</u>
	\$	<u><u>280,581</u></u>

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

Notes payable at June 30, 2019 consist of the following:

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><u>36,326</u></u>
---	----	----------------------

Future principal payments on notes payable are as follows:

Year Ending June 30,		
<u>2020</u>	\$	29,881
2021		<u>6,445</u>
	\$	<u><u>36,326</u></u>

The Organization has an active line of credit with maximum credit limit of \$35,000. No draws were outstanding as of June 30, 2019.

FILM ACTION OREGON dba HOLLYWOOD THEATRE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2019

NOTE F – LEASE COMMITMENTS

A lease agreement was entered into beginning October 2018 and expiring September 2021. Monthly base rent is \$2,327 with annual rent increases.

The Organization entered into a lease agreement for Movie Madness beginning January 2018 and expiring January 2023. Monthly base rent is \$8,653 per month with annual rent increases.

Total lease expense for the year ended June 30, 2019 was \$131,917.

Future annual minimum lease payments are as follows:

Year Ending June 30,	
2020	\$ 139,504
2021	120,875
2022	116,872
2023	<u>29,218</u>
	<u>\$ 406,469</u>

A portion of the theatre store front is subleased to unaffiliated retail organizations. Payment due under subleases are as follows:

Year Ending June 30,	
2020	\$ 101,880
2021	40,020
2022	<u>8,500</u>
	<u>\$ 150,400</u>

NOTE G – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2019:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,470,058
Pledges receivable	64,411
Other receivables	<u>5,817</u>
Total financial assets	<u>1,540,286</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,540,286</u>

**FILM ACTION OREGON dba HOLLYWOOD THEATRE**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2019**

**NOTE G – LIQUIDITY (Continued)**

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of current requirements in short-term investments.

**NOTE H – 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 all fully and immediately vested. Total plan contributions for 2019 totaled \$11,743.

**NOTE I – 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 \$501,000 at June 30, 2019.

**NOTE J – RELATED PARTY DISCLOSURE**

Two board members provided in-kind professional services valued at \$21,620 and \$4,248 respectively during the year ended June 30, 2019. Two employees in charge of programming contracts for various independent programs received \$22,413 and \$7,834, respectively, for ticket sales related to independent programming for the year ended June 30, 2019.

**NOTE K – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 17, 2020, which is the date the financial statements were available to be issued.