

FILM ACTION OREGON
dba HOLLYWOOD THEATRE

FINANCIAL STATEMENTS

Year Ended June 30, 2021



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FILM ACTION OREGON dba HOLLYWOOD THEATRE

FINANCIAL STATEMENTS

Year Ended June 30, 2021

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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, 2021, 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, 2021, 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.

Kern & Thompson, LLC

Portland, Oregon
December 16, 2021

**FILM ACTION OREGON
dba HOLLYWOOD THEATRE**

STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

Cash and cash equivalents	\$ 1,440,912
Accounts receivable	21,585
Accounts receivable - memberships	89,396
Grants receivable	120,000
Property and equipment, net	1,649,673
Rental video assets, net	260,902
Other assets	<u>31,237</u>
Total assets	<u>\$ 3,613,705</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 57,930
Accrued payroll	104,108
Deferred revenue	<u>78,431</u>
Total liabilities	<u>240,469</u>
Net assets	
Without donor restrictions	
Undesignated	1,238,893
Net investment in property and equipment	1,649,673
Net investment in rental video assets	<u>260,902</u>
Total without donor restrictions	3,149,468
With donor restrictions	<u>223,768</u>
Total net assets	<u>3,373,236</u>
Total liabilities and net assets	<u>\$ 3,613,705</u>

See notes to financial statements.

**FILM ACTION OREGON
dba HOLLYWOOD THEATRE**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Tickets and concession revenue	\$ 97,327	\$ -	\$ 97,327
Contributions and grants	249,930	399,339	649,269
PPP loan forgiveness	304,279	-	304,279
Donated assets and services	2,780	-	2,780
Dues and memberships	387,891	-	387,891
Program fees and tuition	19,409	-	19,409
Video revenue	131,937	-	131,937
Rent income	205,756	-	205,756
Other income	60,310	-	60,310
	<u>1,459,619</u>	<u>399,339</u>	<u>1,858,958</u>
Net assets released from restrictions	<u>175,571</u>	<u>(175,571)</u>	<u>-</u>
Total revenue and support	<u>1,635,190</u>	<u>223,768</u>	<u>1,858,958</u>
Expenses			
Program services	1,280,028	-	1,280,028
Supporting services			
General and administrative	423,416	-	423,416
Fundraising	158,584	-	158,584
Total expenses	<u>1,862,028</u>	<u>-</u>	<u>1,862,028</u>
Change in net assets	(226,838)	223,768	(3,070)
Net assets, beginning of year	<u>3,376,306</u>	<u>-</u>	<u>3,376,306</u>
Net assets, end of year	<u>\$ 3,149,468</u>	<u>\$ 223,768</u>	<u>\$ 3,373,236</u>

See notes to financial statements.

**FILM ACTION OREGON
dba HOLLYWOOD THEATRE**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	PROGRAM SERVICES	SUPPORTING SERVICES		Total
		General and Administrative	Fundraising	
Salaries and related expenses	\$ 749,414	\$ 236,346	\$ 130,755	\$ 1,116,515
Professional fees	18,775	7,982	1,297	28,054
Programming expenses	127,210	37,696	5,716	170,622
Facilities expense	120,797	31,620	413	152,830
Occupancy	62,371	88,168	-	150,539
Telephone	13,664	7,273	-	20,937
Depreciation and amortization	96,779	-	-	96,779
Insurance	11,662	5,776	-	17,438
Concessions	17,022	-	-	17,022
Supplies	8,727	3,270	3,599	15,596
Software licensing	5,485	1,029	6,400	12,914
Postage	-	161	1,355	1,516
Printing	662	92	1,517	2,271
Conferences and travel	1,008	269	-	1,277
Bank fees	21,037	3,723	7,135	31,895
Interest	840	-	-	840
Miscellaneous	24,575	11	397	24,983
Total expenses	\$ 1,280,028	\$ 423,416	\$ 158,584	\$ 1,862,028

See notes to financial statements.

**FILM ACTION OREGON
dba HOLLYWOOD THEATRE**

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	\$ (3,070)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	96,779
Changes in assets and liabilities:	
Accounts receivable	1,733
Grants and pledges receivable	34,509
Other assets	(18,196)
Accounts payable	80,214
Accrued payroll	2,323
Deferred revenue	(2,046)
Unearned rent income	-
Refundable advance - PPP loan	(304,279)
Net cash provided by (used in) operating activities	<u>(112,033)</u>
Cash flows from investing activities:	
Purchase of property and equipment	(62,906)
Net cash provided by (used in) investing activities	<u>(62,906)</u>
Cash flows from financing activities:	
Principal payments on notes payable	-
Net cash provided by (used in) financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(174,939)
Cash and cash equivalents, beginning of year	<u>1,615,851</u>
Cash and cash equivalents, end of year	\$ <u><u>1,440,912</u></u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ <u><u>840</u></u>

See notes to financial statements.

FILM ACTION OREGON dba HOLLYWOOD THEATRE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

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, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue streams applicable to the Organization that qualify as exchange transactions with “customers” (primarily membership fees and event rentals) are recognized at a single point upon receipt when all risks and rewards transfer. Amounts received from customers in advance, such as deposits for reserved future services and events, are recorded as deferred revenue until the Organization’s performance obligations are satisfied.

The majority of annual memberships are billed and recognized on a monthly basis with the balance recorded as pledges receivable. The remainder is recognized when received.

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.

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 Receivable

Grants receivable 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.

FILM ACTION OREGON dba HOLLYWOOD THEATRE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$1,289 during the year ended June 30, 2021.

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.

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

June 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 RECEIVABLE

Grants receivable at June 30, 2021 are expected to be collected within two years with the following collection schedule:

Year Ending June 30,	
2022	\$ 60,000
2023	<u>60,000</u>
	<u>\$ 120,000</u>

NOTE D – PROPERTY AND EQUIPMENT AND RENTAL VIDEO ASSETS

Property and equipment and rental video assets consist of the following as of June 30, 2021:

Land	\$ 84,650
Building and improvements	2,005,474
Furniture and equipment	728,679
Website	60,000
Work in process	115,171
	<u>2,993,974</u>
Less accumulated depreciation	<u>(1,344,301)</u>
	<u>\$ 1,649,673</u>
Rental video assets	\$ 295,176
Less accumulated depreciation	<u>(34,274)</u>
	<u>\$ 260,902</u>

NOTE E – NOTES PAYABLE AND LINE OF CREDIT

The Organization has an active line of credit with maximum credit limit of \$35,000. No draws were outstanding as of June 30, 2021.

FILM ACTION OREGON dba HOLLYWOOD THEATRE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021

NOTE F - REFUNDABLE ADVANCE (PAYCHECK PROTECTION PROGRAM LOAN)

In response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) "forgivable loan" to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. The Organization qualified for and received forgiveness totaling \$304,279.

NOTE G – LEASE COMMITMENTS

A lease agreement was entered into beginning October 2018 and expired September 2021 with a lease renewal for the period October 1, 2021 through September 30, 2024. Monthly base rent is \$4,216 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 \$8,450 per month with annual rent increases.

Total lease expense for the year ended June 30, 2021 was \$148,693.

Future annual minimum lease payments are as follows:

Year Ending June 30,	
2022	\$ 148,284
2023	105,132
2024	<u>13,419</u>
	<u>\$ 266,835</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,	
2022	\$ 62,754
2023	56,361
2024	<u>24,251</u>
	<u>\$ 143,366</u>

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

June 30, 2021

NOTE H – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2021:

Financial assets at year-end	
Cash and cash equivalents	\$ 1,440,912
Grants receivable	120,000
Membership and other receivables	<u>110,981</u>
Total financial assets	<u>1,671,893</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	
For purpose	(103,768)
Timing restrictions and receivables due beyond one year	<u>(60,000)</u>
Total unavailable financial assets	<u>(163,768)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,508,125</u>

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 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 2021 totaled \$11,359.

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 \$623,497 at June 30, 2021.

NOTE K – RELATED PARTY DISCLOSURE

Two board members provided in-kind professional services valued at \$2,781 during the year ended June 30, 2021. Two employees in charge of programming contracts for various independent programs received \$694, for ticket sales related to independent programming for the year ended June 30, 2021.

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

June 30, 2021

NOTE L – NET ASSETS WITH DONOR RESTRICTIONS

The end of year net assets with donor restrictions consist of the following:

Subject to purpose restrictions	
Facade	\$ 99,093
Education	4,675
	<u>103,768</u>
Subject to time restrictions	<u>120,000</u>
Total net assets with donor restrictions	<u>\$ 223,768</u>

NOTE M – REVENUE FROM MEMBERSHIPS

Accounts receivable - memberships, beginning of year	\$ 63,859
Cash received during the year for memberships	413,381
Accounts receivable - memberships, end of year	<u>(89,349)</u>
Membership revenue for the year ending June 30, 2021	<u>\$ 387,891</u>

NOTE N – UNCERTAINTY

Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measures. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of funders and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.

NOTE O – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 16, 2021, which is the date the financial statements were available to be issued.