Avon Theatre Film Center, Inc.

Financial Statements

March 31, 2023 and 2022

Independent Auditors' Report

The Board of Directors
Avon Theatre Film Center, Inc.

Opinion

We have audited the accompanying financial statements of Avon Theatre Film Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avon Theatre Film Center, Inc. as of March 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Avon Theatre Film Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Avon Theatre Film Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Avon Theatre Film Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Avon Theatre Film Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Stamford, Connecticut
DATE

Avon Theatre Film Center, Inc.

Statements of Financial Position

	March 31, 2023	March 31, 2022
ASSETS		
Cash and cash equivalents	$ 325,125	$ 444,196
Cash held for capital improvements	100,000	-
Contributions receivable	30,242	31,031
Employee Retention Credit receivable	-	122,352
Prepaid expenses	24,392	26,137
Inventory	5,780	3,790
Property and equipment, net	9,208	16,016
	$ 494,747	$ 643,522
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 98,529	$ 75,810
Deferred revenue	48,123	44,805
Economic Injury Disaster Loan	199,000	199,000
Total Liabilities	345,652	319,615
Net Assets		
Without donor restrictions	52,507	321,017
With donor restrictions	96,588	2,890
Total Net Assets	149,095	323,907
	$ 494,747	$ 643,522

See notes to financial statements

Avon Theatre Film Center, Inc.

Statements of Activities

	Year Ended March 31, 2023			Year Ended March 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions - general	$ 199,229	$ 96,588	$ 295,817	$ 226,725	$ 2,890	$ 229,615
Contributions and grants	205,264	-	205,264	240,069	-	240,069
Membership dues	52,319	-	52,319	39,217	-	39,217
Special events, net of Direct Donor Benefit expenses of $56,868 and $58,278	83,703	-	83,703	128,715	-	128,715
Ticket sales, net of promotional discounts of $36,975 and $34,761	287,143	-	287,143	165,017	-	165,017
Concession sales	119,296	-	119,296	65,782	-	65,782
Rental income	9,930	-	9,930	1,700	-	1,700
In-kind rental income	33,000	-	33,000	33,000	-	33,000
Net assets released from restrictions	2,890	(2,890)	-	1,000	(1,000)	-
Total Support and Revenue	992,774	93,698	1,086,472	901,225	1,890	903,115
EXPENSES						
Program services	845,038	-	845,038	698,326	-	698,326
Management and general	256,505	-	256,505	182,423	-	182,423
Fundraising and development	166,005	-	166,005	203,427	-	203,427
Total Expenses	1,267,548	-	1,267,548	1,084,176	-	1,084,176
NON OPERATING ACTIVITIES						
Paycheck Protection Program Loan forgiveness	-	-	-	109,200	-	109,200
Employee Retention Credit	-	-	-	122,352	-	122,352
Shuttered Venue Grant	-	-	-	334,020	-	334,020
Interest income	6,264	-	6,264	-	-	-
Total Non Operating Activites	6,264	-	6,264	565,572	-	565,572
Change in Net Assets	(268,510)	93,698	(174,812)	382,621	1,890	384,511
NET ASSETS						
Beginning of year	321,017	2,890	323,907	(61,604)	1,000	(60,604)
End of year	$ 52,507	$ 96,588	$ 149,095	$ 321,017	$ 2,890	$ 323,907

See notes to financial statements

Avon Theatre Film Center, Inc.

Statement of Functional Expenses
Year Ended March 31, 2023

	Program Services	Supporting Services			
	Film, Education and Other	Management and General	Fundraising and Development	Direct Donor Benefit	Total Expenses
EXPENSES					
Salaries and related expenses	$ 387,896	$ 120,873	$ 127,816	$ -	$ 636,585
Professional services	22,125	80,695	4,000	-	106,820
Film related costs	154,529	-	-	-	154,529
Concession cost of goods	28,646	-	-	-	28,646
Event catering and hotel expense	-	-	-	24,600	24,600
Auction expenses	-	-	-	32,268	32,268
Marketing expense	6,823	-	-	-	6,823
Supplies	14,745	838	7,949	-	23,532
Grants and donations	8,548	750	-	-	9,298
Occupancy expenses	160,860	34,544	-	-	195,404
Meetings and travel expenses	274	1,836	301	-	2,411
Depreciation and amortization	6,808	-	-	-	6,808
Insurance	19,077	2,935	-	-	22,012
Bank fees and services	11,584	162	11,395	-	23,141
Advertising expense	1,476	-	7,432	-	8,908
Membership dues	750	850	-	-	1,600
Printing and postage	3,242	609	6,998	-	10,849
Equipment rental and maintenance	6,060	4,822	-	-	10,882
Interest expense	35	5,852	-	-	5,887
Miscellaneous	11,560	1,739	114	-	13,413
	845,038	256,505	166,005	56,868	1,324,416
Direct donor benefits	-	-	-	(56,868)	(56,868)
Total Expenses	$ 845,038	$ 256,505	$ 166,005	$ -	$ 1,267,548

See notes to financial statements

Avon Theatre Film Center, Inc.

Statement of Functional Expenses
Year Ended March 31, 2022

	Program Services	Supporting Services			
	Film, Education and Other	Management and General	Fundraising and Development	Direct Donor Benefit	Total Expenses
EXPENSES					
Salaries and related expenses	$ 366,069	$ 74,919	$ 163,190	$ -	$ 604,178
Professional services	5,299	52,863	4,325	-	62,487
Film related costs	91,385	-	50	-	91,435
Concession cost of goods	17,664	-	-	-	17,664
Event catering and hotel expense	-	-	-	24,844	24,844
Auction expenses	-	-	-	33,434	33,434
Marketing expense	4,898	-	-	-	4,898
Supplies	11,160	2,687	6,774	-	20,621
Grants and donations	8,500	-	-	-	8,500
Occupancy expenses	147,089	34,707	-	-	181,796
Meetings and travel expenses	247	-	38	-	285
Depreciation and amortization	8,490	-	-	-	8,490
Insurance	17,336	2,851	-	-	20,187
Bank fees and services	6,120	555	11,359	-	18,034
Advertising expense	1,488	-	9,408	-	10,896
Membership dues	250	780	-	-	1,030
Printing and postage	3,060	182	7,319	-	10,561
Equipment rental and maintenance	4,644	4,423	-	-	9,067
Interest expense	-	6,746	-	-	6,746
Miscellaneous	4,627	1,710	964	-	7,301
	698,326	182,423	203,427	58,278	1,142,454
Direct donor benefits	-	-	-	(58,278)	(58,278)
Total Expenses	$ 698,326	$ 182,423	$ 203,427	$ -	$ 1,084,176

See notes to financial statements

Avon Theatre Film Center, Inc.

Statements of Cash Flows

	Year Ended March 31, 2023	Year Ended March 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (174,812)	$ 384,511
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	6,808	8,490
Capital campaign contributions	(100,000)	-
Capital campaign expenses	8,412	-
Changes in operating assets and liabilities		
Contributions receivable	789	(16,928)
Employee Retention Credit receivable	122,352	(122,352)
Prepaid expenses	1,745	(3,584)
Inventory	(1,990)	(551)
Accounts payable and accrued expenses	22,719	19,657
Deferred revenue	3,318	4,269
Net Cash from Operating Activities	(110,659)	273,512
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(4,295)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign contributions received	100,000	-
Capital campaign contributions expensed	(8,412)	-
Proceeds from Economic Injury Disaster Loan	-	49,000
Net Change in Cash and Cash Equivalents	(19,071)	318,217
CASH AND CASH EQUIVALENTS		
Beginning of year	444,196	125,979
End of year	$ 425,125	$ 444,196
SUPPLEMENTAL DISCLOSURE OF COMPONENTS CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	$ 325,125	$ 444,196
Cash held for capital improvements	100,000	-
	$ 325,125	$ 444,196

See notes to financial statements

1. The Organization and Tax Status

Avon Theatre Film Center, Inc. (the "Center") is a non-profit organization that was incorporated in Delaware on April 16, 2003. The Center promotes and fosters a public appreciation of the cinematic arts, including the exhibition of educational films and films of independent and/or emerging filmmakers.

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Center's net assets are classified as net assets with donor restrictions and net assets without donor restrictions.

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.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed 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. Contributions restricted by donors are reported as an increase 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 an increase 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 and reported in the statements of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain 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. Significant estimates include net realizable revenue, the allowance for doubtful accounts and depreciation and amortization expense. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

Cash equivalents consist of short-term highly liquid investments, with maturities of three months or less at the time of purchase.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-off history, aging analysis and any specifically known troubled accounts. Management has concluded that an allowance is not required at March 31, 2023 and 2022.

Inventory

Inventory consists of concession products and supplies and is valued at lower of cost (first-in, first-out) or net realizable value.

Property, Equipment and Depreciation and Amortization

Property and equipment are recorded at cost, or if received by donation, at estimated fair value at the time such items are received. Depreciation is provided using the straight-line method over estimated useful lives of three to five years. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that improve or extend the estimated useful lives are capitalized. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease. Software is also amortized over its useful life.

Contributions

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions 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.

Contributed Goods, Services and Use of Donated Facilities

Donated goods and services are included in the financial statements as special event donations along with the corresponding expenses.

An in-kind contribution for a donated facility for administrative office space is reflected within revenue and corresponding expenses in the accompanying statements of activities.

A substantial number of volunteers have contributed their time to the Center's program and supporting services. These services did not meet the criteria for recognition in the financial statements.

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition

The Center recognizes revenue in an amount that reflects the consideration that is expected to be received for goods or services when its performance obligations are satisfied by transferring control of those promised goods or services to its members and customers.

Revenue from membership dues and assessments is recognized in the month earned. Membership dues received in advance are included in deferred revenue and recognized as revenue ratably over the appropriate period.

Revenue from Center operations, ticket and concession sales, and other operating activities fees are generally recognized at a point in time which is at the time of sale, when services are rendered and collection is reasonably assured.

Operating Measure

The statements of activities separately report changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to ongoing activities. Non-operating activities for the year ended 2023 consisted of interest income and for the year ended 2022 consisted of COVID-19 related grant income.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Occupancy expense is allocated based on each program's share of the square footage of the Center. The remaining expenses that are allocated include salaries and related expenses, professional fees, supplies, meetings and travel, depreciation, insurance, printing and postage, and other administrative expenses which are allocated on the basis of employee time and effort spent on each functional area.

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs for the years ended March 31, 2023 and 2022 were $9,058 and $10,896.

Accounting for Uncertainty in Income Taxes

The Center recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Center had no uncertain tax positions that would require financial statement recognition or disclosure. The Center is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2020.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is DATE.

3. Liquidity and Availability

The following reflects the Center's available financial assets, reduced by amounts not available for general use within one year. Amounts not available for use within one year include financial assets received with donor restrictions that are designated for a specific purpose, timeline or contractual obligation, and have been earmarked as resources available for future years.

Total financial assets available to meet cash needs for general expenditure within one year at March 31, are as follows:

	2023	2022
Cash and cash equivalents	$ 425,125	$ 444,196
Contributions receivable	30,242	31,031
Employee Retention Credit receivable	-	122,352
Total Financial Assets	455,367	597,579
Less amounts unavailable for general expenditures within one year due to:		
Purpose restrictions by donors	96,588	2,890
Total Financial Assets Available Within One Year	$ 358,779	$ 594,689

The principal source of liquidity is cash flow generated from contributions and member dues. As part of the Center's liquidity strategy, management structures its financial assets, consisting of cash and receivables to be available as its general expenditures, liabilities and obligations come due within one year.

4. Concentrations

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash. The Center places their cash with various financial institutions and limits the amount of credit exposure by any single financial institution. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to $250,000. At times, the cash balance may be in excess of the FDIC limit. Amounts in excess of FDIC insurance totaled approximately $7,000 and $138,000 as of March 31, 2023 and 2022.

At March 31, 2023 and 2022, 56% and 43% of contributions receivable was from one donor, who is a related party. For the years ended March 31, 2023 and 2022, 7% and 6% of contributions were from a related party.

5. Property and Equipment

Included in property and equipment are improvements to the building in which the theatre operates. The following is a summary of property and equipment at March 31:

	Estimated Useful Lives	2023	2022
Leasehold improvements	2-6 years	$ 1,194,700	$ 1,194,700
Equipment	3-5 years	90,350	90,350
Computer and software	3-5 years	219,499	219,499
		1,504,549	1,504,549
Accumulated depreciation and amortization		(1,495,341)	(1,488,533)
		$ 9,208	$ 16,016

6. Economic Injury Disaster Loan

The Center applied for and received a Small Business Administration ("SBA") Economic Injury Disaster Loan ("EIDL") in the amount of $150,000 on August 30, 2020. The note is secured by a security interest in substantially all assets of the Center. The EIDL was modified on August 17, 2021, and the Center received an additional $49,000. The loan is payable in equal monthly installments of $889 including interest at a rate of 2.75%. Interest will accrue annually. For the years ended March 31, 2023 and 2022, accrued interest of $11,709 and $6,746 is included in accounts payable and accrued expenses on the statement of financial position. Effective March 2021, the SBA announced extended deferment periods for all disaster loans from 12 months to 24 months. Then, effective March 2022, the SBA granted an additional six-month deferment of principal and interest payments. The first installment, which includes interest only, is due in March 2023. The loan matures in September 2051.

Future maturities are as follows for the year ending March 31:

2024	$ -
2025	-
2026	3,718
2027	5,365
2028	5,514
Thereafter	184,403
	$ 199,000

7. CARES Act Grant Funding

Paycheck Protection Program Loans

The Center applied for and received a Small Business Administration ("SBA") Paycheck Protection Program loan (the "PPP loan") in the amount of $109,200 on April 9, 2021. The PPP loan was established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity.

All or a portion of the PPP loans principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date the loan proceeds are received (the "Covered Period").

For the year ended March 31, 2022, the Center recognized $109,200 of the proceeds from the PPP loans as Paycheck Protection Program Loan forgiveness in the statement of activities. As of March 7, 2022, the SBA had notified the Center that the Second Draw PPP Loan had been forgiven.

Employee Retention Credit

During the year ended March 31, 2022, the Center qualified for the Employee Retention Credit ("ERC") which is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specified threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. Accordingly, the Center has elected to follow the guidance in ASC 958-605 in which conditional government grants are recognized in income as conditions are met. The Center had recognized $122,352 for year ending March 31, 2022. As of March 31, 2022, the Center had receivables of $122,352. Such amount was collected in full during the year ended March 31, 2023.

Shuttered Venue Operators Grant

During the year ended March 31, 2022, the Center applied for and received the Shuttered Venue Operators Grant ("SVOG"), an expense reimbursement grant in the amount of $334,020. The Center incurred expenses of $334,020 by March 31, 2022 and recognized the full grant in income on the statement of activities.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at March 31:

	2023	2022
Capital Campaign	$ 91,588	$ -
Scholarship	-	2,885
Black Lens Series	5,000	-
Educator	-	5
	$ 96,588	$ 2,890

Net assets released from donor restrictions during the years ended March 31 consist of the following:

	2023	2022
Scholarship	$ 2,885	$ -
Educator	5	-
Advertisement	-	1,000
	$ 2,890	$ 1,000

9. Related Party Transactions

For the years ended March 31, 2023 and 2022, the Center recorded contributions totaling $38,313 and $34,363 from a private foundation controlled by the President of the Center.

For the years ended March 31, 2023 and 2022, approximately 16% and 8% of the Center's total support and revenue came from related parties.

On April 16, 2003, the Center entered into a lease agreement with Avon Theatre, LLC (the "Company"), a Connecticut limited liability company. The sole member of the Company is the Director and the President of the Center. The Company provides the Center with a theatre in Stamford, Connecticut for its film screenings for an annual rent of $10. The lease was renewed and is expiring on April 30, 2023. In lieu of paying rent, the Center has spent $1,194,700 on leasehold improvements since April 16, 2003 (inception).

10. Capital Campaign

The Center is in the very early stages of a capital campaign to raise funds to bring its 1939 historic building into the 21st century. The members of the board of directors started the campaign off with initial contributions totaling $100,000 during FY 2023. The goal of the campaign is to modernize the interior of the building including adding a third auditorium and other facility and equipment upgrades. The funds will also go toward exterior renovations and modernization. The campaign will begin in earnest late in the second quarter of fiscal 2024.

11. Subsequent Events

Contributed Non-Financial Asset

The Center has leased its historic building at 272 Bedford St., Stamford from Avon Theare LLC, a subsidiary of Chuck and Deborah Royce's family foundation, Royce Family Fund, Inc. (RFF), since its opening in 2003. The Royce's through its foundation made an offer to gift the building and land (the "Property") to the Center and the Center's board gratefully accepted the offer. On August 16, 2023, the building was formally transferred to the Center. A market appraisal was done on the Property prior to the transfer to the Center. The contributed asset was valued at $1,450,000.

State of Connecticut Grant Award

On June 21, 2023, the Center was named a winner of a $500,000 grant from the State of Connecticut that will be used to fund the building of a third screening room at the Center. The funds are being released under the state's Good to Great Grant Program, which is co-administered by the Connecticut Department of Economic and Community Development (DECD) and CT Humanities.

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