

Actors Theatre of Louisville, Inc.
Financial Statements
Years Ended May 31, 2018 and 2017

Actors Theatre of Louisville, Inc.

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Years Ended May 31, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors
Actors Theatre of Louisville, Inc.

We have audited the accompanying financial statements of Actors Theatre of Louisville, Inc. (the "Theatre"), which comprise the statements of financial position as of May 31, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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.

Kentucky
Indiana
Ohio

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Theatre as of May 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MCM CPAs & Advisors LLP

Louisville, Kentucky
September 25, 2018

Actors Theatre of Louisville, Inc.
Statements of Financial Position
May 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 380,055	\$ 248,890
Deferred season ticket expenses	62,467	56,675
Pledges receivable, net - current portion	1,303,510	1,157,258
Other current assets	<u>354,118</u>	<u>361,370</u>
Total Current Assets	2,100,150	1,824,193
Property and Equipment, net	7,751,120	8,212,070
Investments, at Fair Value	8,258,113	11,290,125
Investments, at Cost	2,129,083	2,125,051
Pledges Receivable, net - Net of Current Portion	<u>979,159</u>	<u>1,475,548</u>
Total Assets	<u>\$ 21,217,625</u>	<u>\$ 24,926,987</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 482,174	\$ 650,162
Deferred season ticket revenue	658,000	763,883
Lines of credit	<u>-</u>	<u>2,494,784</u>
Total Current Liabilities	1,140,174	3,908,829
Other liabilities	<u>150,427</u>	<u>157,724</u>
Total Liabilities	1,290,601	4,066,553
Net Assets		
Unrestricted	9,310,753	10,396,602
Temporarily restricted	4,627,481	4,714,444
Permanently restricted	<u>5,988,790</u>	<u>5,749,388</u>
Total Net Assets	<u>19,927,024</u>	<u>20,860,434</u>
Total Liabilities and Net Assets	<u>\$ 21,217,625</u>	<u>\$ 24,926,987</u>

See accompanying notes.

Actors Theatre of Louisville, Inc.
Statement of Activities and Changes in Net Assets
Year Ended May 31, 2018 with comparative totals as of May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Revenues and Gains					
Ticket sales	\$ 3,420,021	\$ -	\$ -	\$ 3,420,021	\$ 3,553,333
Other earned	411,674	-	-	411,674	302,000
Auxiliary operations	933,581	-	-	933,581	928,498
Contributions					
Individuals	1,219,483	127,987	138,593	1,486,063	1,158,561
Government, foundation, corporate	1,426,732	589,031	-	2,015,763	1,985,540
Fundraising events, net	83,789	-	-	83,789	176,239
Investment income , net (Note E)	710,821	885,914	100,809	1,697,544	2,062,465
Net assets released from restrictions	1,689,895	(1,689,895)	-	-	-
Total Revenues and Gains	9,895,996	(86,963)	239,402	10,048,435	10,166,636
Expenses and Losses					
Direct program expenses					
Artistic	3,309,541	-	-	3,309,541	3,221,674
Production	2,243,197	-	-	2,243,197	2,248,890
Marketing and promotion	1,289,645	-	-	1,289,645	1,256,983
Audience services and sales	584,298	-	-	584,298	643,021
Occupancy	620,865	-	-	620,865	653,285
Depreciation	480,612	-	-	480,612	517,635
Total Direct Program Expenses	8,528,158	-	-	8,528,158	8,541,488
Auxiliary operations					
Auxiliary expenses	141,972	-	-	141,972	150,097
Occupancy	210,138	-	-	210,138	377,268
Depreciation	140,994	-	-	140,994	160,401
Total Auxiliary Operations	493,104	-	-	493,104	687,766
Support services					
General and administrative	1,257,399	-	-	1,257,399	1,292,865
Development	427,148	-	-	427,148	497,872
Loss on uncollectible pledges	65,600	-	-	65,600	12,802
Loss on disposal of property and equipment	13,401	-	-	13,401	-
Occupancy	142,432	-	-	142,432	140,243
Depreciation	54,603	-	-	54,603	78,034
Total Support Services	1,960,583	-	-	1,960,583	2,021,816
Total Expenses and Losses	10,981,845	-	-	10,981,845	11,251,070
Changes in Net Assets	(1,085,849)	(86,963)	239,402	(933,410)	(1,084,434)
Net Assets at Beginning of Year	10,396,602	4,714,444	5,749,388	20,860,434	21,944,868
Net Assets at End of Year	\$ 9,310,753	\$ 4,627,481	\$ 5,988,790	\$ 19,927,024	\$ 20,860,434

See accompanying notes.

Actors Theatre of Louisville, Inc.
Statement of Activities and Changes in Net Assets
Year Ended May 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Gains				
Ticket sales	\$ 3,553,333	\$ -	\$ -	\$ 3,553,333
Other earned	302,000	-	-	302,000
Auxiliary operations	928,498	-	-	928,498
Contributions				
Individuals	1,129,340	29,221	-	1,158,561
Government, foundation, corporate	1,438,763	546,777	-	1,985,540
Fundraising events, net	176,239	-	-	176,239
Investment income, net (Note E)	852,607	1,145,195	64,663	2,062,465
Net assets released from restrictions	2,145,806	(2,145,806)	-	-
Total Revenues and Gains	10,526,586	(424,613)	64,663	10,166,636
Expenses and Losses				
Direct program expenses				
Artistic	3,221,674	-	-	3,221,674
Production	2,248,890	-	-	2,248,890
Marketing and promotion	1,256,983	-	-	1,256,983
Audience services and sales	643,021	-	-	643,021
Occupancy	653,285	-	-	653,285
Depreciation	517,635	-	-	517,635
Total Direct Program Expenses	8,541,488	-	-	8,541,488
Auxiliary operations				
Auxiliary expenses	150,097	-	-	150,097
Occupancy	377,268	-	-	377,268
Depreciation	160,401	-	-	160,401
Total Auxiliary Operations	687,766	-	-	687,766
Support services				
General and administrative	1,292,865	-	-	1,292,865
Development	497,872	-	-	497,872
Loss on uncollectible pledges	12,802	-	-	12,802
Occupancy	140,243	-	-	140,243
Depreciation	78,034	-	-	78,034
Total Support Services	2,021,816	-	-	2,021,816
Total Expenses and Losses	11,251,070	-	-	11,251,070
Changes in Net Assets	(724,484)	(424,613)	64,663	(1,084,434)
Net Assets at Beginning of Year	11,121,086	5,139,057	5,684,725	21,944,868
Net Assets at End of Year	\$ 10,396,602	\$ 4,714,444	\$ 5,749,388	\$ 20,860,434

See accompanying notes.

Actors Theatre of Louisville, Inc.
Statements of Cash Flows
Years Ended May 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (933,410)	\$ (1,084,434)
Adjustments to reconcile changes in net assets to cash used by operating activities		
Depreciation	676,209	756,070
Loss on sale/disposal of property	13,401	-
Loss on uncollectible pledges	65,600	12,802
Gain on investment in limited partnership	(105,908)	(212,585)
Net realized and unrealized gain on investments	(1,417,760)	(1,683,104)
Changes in		
Deferred season ticket expenses	(5,792)	19,061
Pledges receivable, net	284,537	986,270
Other assets	7,252	(106,258)
Accounts payable and accrued expenses	(176,390)	105,288
Deferred season ticket revenue	(105,883)	(101,767)
Other liabilities	(7,297)	(7,505)
Net Cash Used by Operating Activities	<u>(1,705,441)</u>	<u>(1,316,162)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(220,258)	(52,135)
Purchases of investments	(11,459,872)	(4,143,004)
Proceeds from sale of investments	16,011,520	4,727,513
Net Cash Provided by Investing Activities	<u>4,331,390</u>	<u>532,374</u>
Cash Flows from Financing Activities		
Proceeds from lines of credit	-	945,076
Payments on lines of credit	(2,494,784)	(450,000)
Net Cash (Used) Provided by Financing Activities	<u>(2,494,784)</u>	<u>495,076</u>
Net Increase (Decrease) in Cash and Cash Equivalents	131,165	(288,712)
Cash and Cash Equivalents at Beginning of Year	<u>248,890</u>	<u>537,602</u>
Cash and Cash Equivalents at End of Year	<u>\$ 380,055</u>	<u>\$ 248,890</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 113,048	\$ 78,546
Property and equipment included in accounts payable	8,402	-

See accompanying notes.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements
Years Ended May 31, 2018 and 2017

Note A - Nature of Organization

Actors Theatre of Louisville, Inc. ("the Theatre") is a Kentucky nonprofit organization formed in 1964 to promote the advancement of theatrical arts. The Theatre unlocks human potential, builds community, and enriches quality of life by engaging people in theatre that reflects the wonder and complexity of our time. A major focus of the Theatre is the creation of new plays.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The financial statements of the Theatre are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.
2. Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.
3. Subsequent Events: Subsequent events for the Theatre have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued.
4. Donor-imposed Restrictions: The Theatre records and reports its assets, liabilities, net assets, revenues, expenses, gains and losses, and other support based on the existence or absence of donor-imposed restrictions.

The Theatre reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 and changes in net assets as net assets released from restriction. The Theatre follows the policy of reporting donor-imposed restricted contributions whose restrictions are met in the same period as received as unrestricted revenue.

The Theatre reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Theatre reports expirations of donor restrictions when the donated assets are placed in service or the funds are expended to acquire the long-lived assets.

Permanently restricted net assets include those contributions and other inflows of assets whose use by the Theatre is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the Theatre; however, the income from such investments is to be used to further the mission of the Theatre and is reported as temporarily restricted until appropriated for expenditure by the Theatre.

5. Cash and Cash Equivalents: The Theatre considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents except such instruments purchased with long-term investment assets which are reported as investments. The Theatre typically maintains balances with its banks in excess of federally insured limits.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note B - Summary of Significant Accounting Policies (Continued)

6. Deferred Season Ticket Revenue and Expenses: Revenue and expenses related to the sale of season tickets are deferred and are credited or charged to operations during the respective theatrical season.
7. Property and Equipment: It is the Theatre's policy to capitalize purchases of property and equipment over \$2,000. Lesser amounts are expensed. Property and equipment are recorded at cost at date of acquisition or fair value at date of donation and are depreciated using the straight-line method over their estimated useful lives of 3 to 10 years for equipment and 10 to 40 years for buildings and improvements. Depreciation expense for the years ended May 31, 2018 and 2017 was \$676,209 and \$756,070, respectively.
8. Investments: Investments in marketable securities are stated at fair value (based upon quoted market prices). Net unrealized and realized gains or losses are reflected in the statements of activities and changes in net assets. Interest and dividends are reported net of investment expenses of approximately \$46,000 and \$40,000 for the years ended May 31, 2018 and 2017, respectively.

The Theatre's investments in limited partnerships, which are not readily marketable, are recorded under the cost method. Under the cost method, income recognized by the investor is limited to distributions received, except that distributions exceeding the investor's share of earnings after the date of the investment are applied to reduce the carrying value of the investment.

9. Income Tax Status: The Theatre has received a determination letter from the Internal Revenue Service indicating that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes have been provided for in the accompanying financial statements.

The Theatre recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.

10. Recent Accounting Pronouncements: In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for the fiscal year ending May 31, 2020.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, to improve financial reporting with respect to leasing transactions. ASU No. 2016-02 will require lessees to recognize a lease liability and a right-of-use asset with respect to all leases with terms of greater than twelve months. The lease liability recognized in the balance sheet will represent the lessee's obligation to make lease payments measured on a discounted basis, while the right-of-use asset will represent the lessee's right to use, or control use of, the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. This standard will be effective for the fiscal year ending May 31, 2021.

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*. This update guidance changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. This guidance included qualitative and quantitative requirements in the following areas: 1) net asset classes; 2) investment return; 3) expenses; 4) liquidity and availability of resources, and 5) presentation of operating cash flows. This standard will be effective for the fiscal year ending May 31, 2019.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note B - Summary of Significant Accounting Policies (Continued)

10. Recent Accounting Pronouncements (Continued): In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. This standard will be effective for the fiscal year ending May 31, 2020.

The Theatre is currently evaluating these ASUs and their impact of Theatre's financial statements.

Note C - Pledges Receivable

Pledges receivable at May 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Gross pledges receivable, operating	\$ 2,419,510	\$ 2,763,258
Less discount to present value	(96,841)	(120,452)
Less allowance for uncollectible pledges	<u>(40,000)</u>	<u>(10,000)</u>
	<u>\$ 2,282,669</u>	<u>\$ 2,632,806</u>

Gross pledges receivable at May 31, 2018 are due according the following schedule:

Less than one year	\$ 1,325,510
One to five years	<u>1,094,000</u>
	<u>\$ 2,419,510</u>

The Theatre receives contributions primarily from individuals, grantors, or corporations in the community. The Theatre uses an allowance for uncollectible pledges based on a reasonable estimate of possible uncollectible pledges.

Pledges receivable in future periods are discounted at rates ranging from 2.23% - 3.58%.

Note D - Property and Equipment

Property and equipment consists of the following at May 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,381,105	\$ 1,381,105
Buildings	22,338,404	22,281,423
Equipment	1,915,793	1,881,361
Production Elements	<u>400,920</u>	<u>360,939</u>
	26,036,222	25,904,828
Less accumulated depreciation	<u>18,285,102</u>	<u>17,692,758</u>
	<u>\$ 7,751,120</u>	<u>\$ 8,212,070</u>

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note E - Investments

Investments, at fair value consist of the following at May 31, 2018 and 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 495,405	\$ 495,405	\$ 705,410	\$ 705,410
Mutual funds	850,025	1,490,182	850,025	1,380,614
Exchange-traded funds	-	-	1,806,990	1,725,591
Corporate stocks	4,145,557	6,272,526	4,942,280	6,875,374
Corporate bond funds	-	-	599,480	603,136
	<u>\$ 5,490,987</u>	<u>\$ 8,258,113</u>	<u>\$ 8,904,185</u>	<u>\$ 11,290,125</u>

Investments, at cost consist of the following at May 31, 2018 and 2017:

	2018		2017	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Investment in Limited Partnerships - Cost Method	<u>\$ 2,129,083</u>	<u>\$ 2,545,062</u>	<u>\$ 2,125,051</u>	<u>\$ 2,477,501</u>

The following table shows the gross unrealized losses and fair value of the Theatre's limited partnership investments, accounted for under the cost method, that were not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that investments had been in a continuous unrealized loss position at May 31, 2018 and 2017:

Description of Investments	2018					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Limited partnerships carried at cost	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,545</u>	<u>\$ (188,691)</u>	<u>\$ 251,545</u>	<u>\$ (188,691)</u>

Description of Investments	2017					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Limited partnerships carried at cost	<u>\$ 100,944</u>	<u>\$ (6,128)</u>	<u>\$ 312,456</u>	<u>\$ (137,065)</u>	<u>\$ 413,400</u>	<u>\$ (143,193)</u>

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note E - Investments (Continued)

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Theatre. The Theatre's interests in limited partnerships represent 20% and 16% of total investments held at May 31, 2018 and 2017. Because these limited partnership investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the estimated fair value shown above had a readily available market for such investments existed.

Investment income (loss), net as of May 31, 2018 and 2017 consists of the following:

	2018	2017
Interest and dividend income, net of fees	\$ 173,876	\$ 166,776
Net realized and unrealized gain (loss) on investments	1,417,760	1,683,104
Gain from investment in limited partnerships	105,908	212,585
	\$ 1,697,544	\$ 2,062,465

In January 2002, the Theatre invested in Chrysalis Ventures II, L.P., a venture capital fund located in Louisville, Kentucky. The Theatre's cost basis investment in the partnership as of May 31, 2018 and 2017 was approximately \$28,000. The Theatre accounts for less than one percent interest in the limited partnership under the cost method.

In February 2006, the Theatre committed \$1,000,000 to Fort Washington Private Equity Investors IV, L.P. Fort Washington Fund IV is a "fund of funds" which invests in multiple private equity and venture capital funds. The Theatre's cost basis investment in the partnership as of May 31, 2018 and 2017 was approximately \$349,000 and \$450,000, respectively. The Theatre accounts for less than two percent interest in the limited partnership under the cost method.

In February 2006, the Theatre invested \$1,000,000 in Commonfund Institutional Multi-Strategy Equity Fund, LLC. Commonfund operates as a manager of third party investment funds. During 2017, the Theatre liquidated its ownership in Commonfund in one installment totaling approximately \$290,000.

In November 2006, the Theatre invested \$500,000 in Prisma Select Fund II Ltd, a private investment fund managed by KKR Prisma. Prisma Select is a "fund of funds" which invests in multiple hedge funds. In December 2011 the fund began liquidating its portfolio. The Theatre chose to roll its investment into the Prisma Spectrum Fund Ltd. The Theatre's cost basis investment in the partnership as of May 31, 2018 and 2017 was approximately \$14,000. The Theatre accounts for less than two percent interest in the limited partnership under the cost method.

In November 2006, the Theatre invested \$500,000 in Prisma Spectrum Fund Ltd, a private investment fund managed by KKR Prisma. Prisma Spectrum is a "fund of funds" which invests in multiple hedge funds. The Theatre's cost basis investment in the partnership as of May 31, 2018 and 2017 was approximately \$1,092,000. The Theatre accounts for less than one percent interest in the limited partnership under the cost method.

In June 2007, the Theatre invested \$500,000 in JK Asian Invest, LP, which operates as an investment fund and invests primarily in publicly traded equity securities in the Pacific Rim. During 2017, the Theatre liquidated its ownership in JK Asian Invest, LP in two installments totaling approximately \$541,000.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note E - Investments (Continued)

In June 2009, the Theatre committed \$250,000 to Fort Washington Private Equity Opportunities Fund II, L.P. Fort Washington PEOF II operates as an investment fund principally for the purpose of acquiring, through secondary market transactions, interests in a diversified portfolio of established pooled investment vehicles or private equity investment funds, organized as limited partnerships, limited liability companies, or corporations, including venture capital, buyout, and fund of funds. The Theatre's cost basis investment in the partnership as of May 31, 2018 and 2017 was approximately \$91,000 and \$107,000, respectively. The Theatre accounts for less than one percent interest in the limited partnership under the cost method.

In December 2011 and May 2012, the Theatre committed a total of \$500,000 to Fort Washington Private Equity Investors Fund VII, L.P. Fort Washington Fund VII is a "fund of funds" which invests in multiple private equity and venture capital funds. The Theatre's cost basis investment in the partnership as of May 31, 2018 and 2017 was approximately \$324,000 and \$354,000, respectively. The Theatre accounts for less than one percent interest in the limited partnership under the cost method.

In September 2016, the Theatre committed a total of \$1,000,000 to Fort Washington Private Equity Investors Fund IX, L.P. Fort Washington Fund IX is a "fund of funds" which invests in multiple private equity and venture capital funds. The Theatre's cost basis investment in the partnership as of May 31, 2018 and 2017 was approximately \$230,000 and \$80,000, respectively. The Theatre accounts for less than one percent interest in the limited partnership under the cost method.

The following table sets forth the commitments relative to the Theatre's limited partnership investments at May 31, 2018:

	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Chrysalis Ventures II, L.P.	\$ 4,318	N/A	N/A
Fort Washington Private Equity Investors IV, L.P.	49,638	N/A	N/A
Fort Washington Private Equity Investors VII, L.P.	88,750	N/A	N/A
Fort Washington Private Equity Opportunities Fund II, L.P.	29,535	N/A	N/A
Fort Washington Private Equity Investors IX, L.P.	770,000	N/A	N/A
Prisma Select Fund II Ltd.	-	N/A	N/A
Prisma Spectrum Fund Ltd.	-	Quarterly	90 days

Note F - Fair Value Measurements

The ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC are described below:

- Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Theatre's own assumptions, based on the best information available in the circumstances.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note F - Fair Value Measurements (Continued)

Valuation Methodology - Cash equivalents are valued at cost, which approximates fair value. Investments in actively traded securities are valued at the closing price of the security on the measurement date or the last business day prior to the measurement date if the measurement date falls on a weekend or holiday. Investments in partnerships are valued at the net asset valuation (NAV) reported by the general partner. Partnership investments were reviewed on an individual basis with consideration given to the nature and liquidity of the asset, valuation techniques of the partners, and any restrictions placed on partnership redemption. It was determined that no adjustment to these reported values was necessary. There have been no changes in the methodologies used at May 31, 2018 and 2017.

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

The following table sets forth by level, within the fair value hierarchy, the Theatre's assets at fair value as of May 31, 2018:

	Assets at Fair Value as of May 31, 2018			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 495,405	\$ -	\$ -	\$ 495,405
Corporate Stocks				
Consumer discretionary	976,531	-	-	976,531
Consumer staples	72,016	-	-	72,016
Energy	558,462	-	-	558,462
Financials	1,298,167	-	-	1,298,167
Healthcare	900,534	-	-	900,534
Industrials	783,939	-	-	783,939
Information technology	1,398,125	-	-	1,398,125
Materials	184,211	-	-	184,211
Real Estate	29,513	-	-	29,513
Telecommunications	41,093	-	-	41,093
Utilities	29,935	-	-	29,935
Mutual Funds				
Small cap index	781,597	-	-	781,597
International	708,585	-	-	708,585
Limited Partnerships Carried at Cost	-	-	2,545,062	2,545,062
	<u>\$ 8,258,113</u>	<u>\$ -</u>	<u>\$ 2,545,062</u>	<u>\$ 10,803,175</u>

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note F - Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Theatre's assets at fair value as of May 31, 2017:

	Assets at Fair Value as of May 31, 2017			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 705,410	\$ -	\$ -	\$ 705,410
Corporate Stocks				
Consumer discretionary	1,334,588	-	-	1,334,588
Consumer staples	198,604	-	-	198,604
Energy	309,026	-	-	309,026
Financials	1,370,896	-	-	1,370,896
Healthcare	908,974	-	-	908,974
Industrials	890,700	-	-	890,700
Information technology	1,461,015	-	-	1,461,015
Materials	174,123	-	-	174,123
Real estate	50,394	-	-	50,394
Services	35,974	-	-	35,974
Telecommunications	79,553	-	-	79,553
Utilities	61,527	-	-	61,527
Mutual Funds				
Small cap index	670,377	-	-	670,377
International	710,237	-	-	710,237
Exchange-traded Funds				
Commodities	222,176	-	-	222,176
International	1,503,415	-	-	1,503,415
Corporate Bond Funds				
International	603,136	-	-	603,136
Limited Partnerships Carried at Cost	-	-	2,477,501	2,477,501
	<u>\$ 11,290,125</u>	<u>\$ -</u>	<u>\$ 2,477,501</u>	<u>\$ 13,767,626</u>

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note F - Fair Value Measurements (Continued)

The changes in investments measured at fair value for which the Theatre has used Level 3 inputs to determine fair value for the years ended May 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Balance, Beginning of Year	\$ 2,477,501	\$ 3,176,914
Realized and Unrealized Gains on Investments		
Net realized gains on investments (included in investment income)	105,908	212,585
Net change in unrealized appreciation (depreciation) relating to investments held at the reporting date	63,529	(37,497)
Purchases of Investments	150,000	80,000
Sales of Investments	<u>(251,876)</u>	<u>(954,501)</u>
Balance, End of Year	<u>\$ 2,545,062</u>	<u>\$ 2,477,501</u>

Net change in unrealized appreciation relating to investments held at the reporting date is not reflected in the statements of activities and changes in net assets as the investments are recorded at cost.

Note G - Endowment Fund

The Theatre's endowment consists of approximately three individual funds established for various purposes (see Note J). Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Theatre follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds. As such, the Theatre is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds.

The Theatre has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The Theatre classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified as permanently restricted net assets is classified as temporarily restricted until appropriated for expenditure by the Theatre.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note G - Endowment Fund (Continued)

Endowment net asset composition as of May 31, 2018 and 2017 is as follows:

	May 31, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted	\$ -	\$ 2,422,079	\$ 5,988,790	\$ 8,410,869
Board designated	2,114,920	-	-	2,114,920
Total	<u>\$ 2,114,920</u>	<u>\$ 2,422,079</u>	<u>\$ 5,988,790</u>	<u>\$ 10,525,789</u>

	May 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted	\$ -	\$ 1,772,264	\$ 5,749,388	\$ 7,521,652
Board designated	5,893,524	-	-	5,893,524
Total	<u>\$ 5,893,524</u>	<u>\$ 1,772,264</u>	<u>\$ 5,749,388</u>	<u>\$ 13,415,176</u>

Changes in endowment net assets for the year ended May 31, 2018 is as follows:

	May 31, 2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of the Year	\$ 5,893,524	\$ 1,772,264	\$ 5,749,388	\$ 13,415,176
Investment Return				
Investment income	70,918	102,434	-	173,352
Net appreciation	639,379	783,480	100,809	1,523,668
Total Investment Return	710,297	885,914	100,809	1,697,020
Contributions	-	-	138,593	138,593
Appropriated for Expenditure	(4,488,901)	(236,099)	-	(4,725,000)
Endowment Net Assets, End of Year	<u>\$ 2,114,920</u>	<u>\$ 2,422,079</u>	<u>\$ 5,988,790</u>	<u>\$ 10,525,789</u>

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note G - Endowment Fund (Continued)

Changes in endowment net assets for the year ended May 31, 2017 is as follows:

	May 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning of the Year	\$ 5,141,594	\$ 1,277,677	\$ 5,684,725	\$ 12,103,996
Investment Return				
Investment income	68,585	96,906	-	165,491
Net depreciation	<u>782,737</u>	<u>1,048,289</u>	<u>64,663</u>	<u>1,895,689</u>
Total Investment Return	851,322	1,145,195	64,663	2,061,180
Appropriated for Expenditure	<u>(99,392)</u>	<u>(650,608)</u>	<u>-</u>	<u>(750,000)</u>
Endowment Net Assets, End of Year	<u>\$ 5,893,524</u>	<u>\$ 1,772,264</u>	<u>\$ 5,749,388</u>	<u>\$ 13,415,176</u>

The Theatre has adopted investment and spending policies for endowment assets that attempt to provide a stream of endowment funding that grows, over time, at a rate which preserves its purchasing power. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce total returns that, over time, track those of the S&P 500 index with a lower level of year-to-year volatility.

To achieve these objectives, the Theatre utilizes the total return method of calculating its annual endowment draws. To dampen year-to-year volatility, each year's budgeted draw is calculated by employing a 5.5% rate of return to the average endowment assets of the previous 13 quarters. The 5.5% assumed total return was established after an assessment of the expected long-term rates of return on each of the various asset classes held by the endowment.

Note H - Lines of Credit

The Theatre has an unsecured line of credit agreement with PNC Bank for \$500,000 with an interest rate of prime (4.75% at May 31, 2018), which expires December 2018. The outstanding balance on this line of credit at May 31, 2018 and 2017 is \$-0- and \$500,000, respectively.

The Theatre has an unsecured line of credit agreement with Republic Bank for \$500,000 with an interest rate of prime (4.75% at May 31, 2018) with a floor of 3.25%, which expires November 2019. The outstanding balance on this line of credit as of May 31, 2018 and 2017 is \$-0- and \$500,000, respectively.

The Theatre had a second unsecured line of credit agreement with Republic Bank for \$500,000 with an interest rate of prime (4.75% at May 31, 2018) which expired in May 2018. The outstanding balance on this line of credit was \$500,000 at May 31, 2017.

The Theatre had an unsecured line of credit agreement with Fifth Third Bank for \$1,000,000 with an interest rate of prime (4.75% at May 31, 2018), which expired in May 2018. The outstanding balance on this line of credit at May 31, 2017 was \$994,784.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note H - Lines of Credit (Continued)

The Theatre has a standby letter of credit issued to the Actors Equity Association to ensure payment of actors' salaries and benefits. The amount on the letter of credit at May 31, 2018 is \$65,310 with an expiration date of July 2019.

Interest expense was \$110,060 and \$80,570 for the years ended May 31, 2018 and 2017, respectively.

Note I - Temporarily Restricted Net Assets

Temporarily restricted net assets at May 31, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Shakespeare plays	\$ 2,010,826	\$ 1,449,366
Professional training company	772,436	876,872
Humana festival	750,000	1,517,636
Future seasons	583,089	497,386
Actors artistic programming	411,253	322,898
New play development	51,208	-
Special event	36,833	10,000
Capital improvement	9,007	37,457
Building demand exploration grant	2,829	2,829
	<u>\$ 4,627,481</u>	<u>\$ 4,714,444</u>

Note J - Permanently Restricted Net Assets

Permanently restricted net assets at May 31, 2018 and 2017 are invested in perpetuity, the income from which is expendable for the following purposes:

	<u>2018</u>	<u>2017</u>
Shakespeare plays	\$ 3,699,824	\$ 3,599,015
Theatrical productions	1,350,000	1,350,000
Actors artistic programming	800,373	800,373
Purpose to be determined	138,593	-
	<u>\$ 5,988,790</u>	<u>\$ 5,749,388</u>

Under the terms of a grant from the Mary and Barry Bingham, Sr. Fund, a portion of the annual net income earned by the fund designated for Shakespeare plays is permanently restricted.

Under the terms of a grant from the National Endowment for the Arts, \$1,350,000 of the General Endowment Fund investments is permanently restricted.

Under the terms of a grant from the Doris Duke Charitable Foundation, \$400,000 of the General Endowment Fund investments is permanently restricted, which has been matched by \$400,373 in private contributions. Income and gains and losses are temporarily restricted until appropriated for expenditure by the Theatre for the grant's stated purpose of artistic programming.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note K - Contributions Other than Cash

Contributions of property and equipment, supplies and services are recorded in the accompanying financial statements. Donated services and other gifts are recorded at fair value when determinable, otherwise at values indicated by the donor. Contributed property and equipment, supplies and services in the amount of \$76,160 and \$81,716 during the years ended May 31, 2018 and 2017 respectively, were recorded as contributions, and program and supporting services expenses or capitalized.

Note L - Lease Income

The Theatre has a one-year lease agreement for its parking facility that expires in July 2018. The Theatre receives rental income on the lease based on a percentage of gross revenue. Rental income from the parking facility was \$672,055 and \$656,809 in 2018 and 2017, respectively, and is included in auxiliary operations on the accompanying statements of activities and changes in net assets.

The Theatre leases certain of its building facilities under noncancelable operating leases. The minimum future building rentals due to the Theatre are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2019	\$ 167,727
2020	167,727
2021	<u>127,631</u>
	<u>\$ 463,085</u>

Rental income from the building leases was \$174,100 and \$170,216 in 2018 and 2017, respectively, and is included in auxiliary operations on the statements of activities and changes in net assets.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note M - Lease Commitments

During the year ended May 31, 2011, the Theatre entered into a non-cancelable operating lease for housing units for visiting artists.

The term of the lease is for twenty years beginning February 1, 2012. Rent expense of \$129,600 has been recorded under this lease during each of the years ended May 31, 2018 and 2017. Future minimum lease payments under this lease are as follows:

Year Ending May 31,	Amount
2019	\$ 129,600
2020	129,600
2021	129,600
2022	129,600
2023	129,600
Thereafter	1,123,200
	<u>\$ 1,771,200</u>

This rent expense was offset by rental income under subleases of \$925 and \$3,765 in 2018 and 2017, respectively. These amounts are presented net in auxiliary operations on the accompanying statements of activities and changes in net assets.

Note N - Pension and Employee Benefit Plans

The Theatre is a participating employer in four separate trustee-managed multiemployer defined benefit pension plans for employees who participate in collective bargaining agreements (the "Plans"). The Plans generally provide retirement benefits to employees based on years of service while a member of the collective bargaining group and/or covered wages from participating employers. The Plans are each managed by a board of trustees. Although the Theatre is not represented on any of the boards of trustees, other contributing employers may be members of the boards. Contributions of \$79,279 in 2018 and \$75,835 in 2017 were charged to pension expense for ongoing participation in these Plans.

The risks of participating in these Plans are different from single-employer plans because:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a plan, the unfunded obligations of that plan may be required to be borne by the remaining participating employers.
- If the Theatre chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to that plan.

In connection with ongoing renegotiation of collective bargaining agreements, the Theatre could discuss and negotiate for the complete or partial withdrawal from one or more of the Plans. Depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Theatre's change in net assets in the period of the withdrawal. As of May 31, 2018, the Theatre has no plans to withdraw from the Plans.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note N - Pension and Employee Benefit Plans (Continued)

The Theatre's participation in the Plans as of May 31, 2018 and for the years ended May 31, 2018 and 2017 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. Plans in the Red zone are generally less than 65% funded, plans in the Yellow zone are generally greater than 65% but less than 80% funded, and plans in the Green are at least 80% funded. There have been no significant changes that affect the comparability of 2018 to 2017 contributions.

Pension Fund	Equity-league Pension Trust Fund		The SDC-League Pension Fund	
EIN/ Pension Plan Number	13-6696817-001		13-6634482-001	
Pension Protection Act Zone Status	May 31, 2017	Green	August 31, 2017	Yellow
FIP/ RP Status Pending/ Implemented	May 31, 2016	Green	August 31, 2016	Yellow
Theatre Contributions	No		Yes / Implemented	
Surcharge Imposed	2018	\$ 54,269	\$ 6,118	
Greater than 5% Contributor to the Plan	2017	\$ 50,707	\$ 7,100	
Expiration Date of Collective - Bargaining Agreement	No		No	
	No		No	
	February 13, 2022		April 14, 2022	

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note N - Pension and Employee Benefit Plans (Continued)

Pension Fund	United Scenic Artists Local 829 Pension and Welfare Fund		AFM & Employers' Pension Plan	
EIN/ Pension Plan Number	13-1982707-001		51-6120204-002	
Pension Protection Act Zone Status	December 31, 2017	Green	March 31, 2017	Red
FIP/ RP Status Pending/ Implemented	December 31, 2016		Green	
Theatre Contributions	No		Yes / Implemented	
Surcharge Imposed	2018	\$ 18,892	\$ -	
Greater than 5% Contributor to the Plan	2017	\$ 17,059	\$ 969	
Expiration Date of Collective - Bargaining Agreement	No		Yes	
	No		No	
	June 30, 2022		August 31, 2020	

Under the terms of an agreement with various union organizations, the Theatre is required to pay specific amounts to a welfare trust fund (under a defined contribution welfare plan) on behalf of actors, directors and designers as they are employed by the Theatre. Welfare expense related to the union agreements was approximately \$174,000 and \$163,000 for 2018 and 2017, respectively. There have been no significant changes that affect the comparability of 2018 to 2017 contributions.

During 2007, the Theatre created a plan that is qualified under Internal Revenue Code Section 403(b). Employees of the Theatre who meet certain requirements can participate in a matched savings plan. The plan matches, within IRS limitations, 50% of an employee's contributions up to 4% of the participating employee's compensation. The employer match was \$57,113 and \$51,407 for 2018 and 2017, respectively.

Note O - Deferred Compensation Agreements

The Theatre has a deferred compensation agreement with a former key executive. The Theatre recorded compensation expense related to this agreement of approximately \$17,000 for each of the years ended May 31, 2018 and 2017. The current portion of the deferred compensation obligation is included in accounts payable and accrued expenses and totals approximately \$7,000 at May 31, 2018 and 2017. The long-term portion of the deferred compensation obligation is included in other liabilities and totals approximately \$150,400 and \$157,700 at May 31, 2018 and 2017, respectively.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2018 and 2017

Note P - Asset Retirement Obligation

The ASC requires that an asset retirement obligation ("ARO") associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The Theatre's conditional ARO primarily relates to asbestos possibly contained in the production studio that the Theatre owns. Environmental regulations exist that require the Theatre to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

No liability has been recorded in relation to the ARO because the fair value cannot be reasonably determined. Much of the asbestos in the Theatre's facilities has been removed but absent any plans to do major renovation to or demolish the production studio, there is an indeterminate settlement date for the asset retirement obligation because the range of time over which the Theatre may settle the obligation is unknown or cannot be estimated.

Note Q - Fundraising Events

Gross revenues and direct event expenses related to fundraising events during the years ended May 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Lobster Feast		
Revenues	\$ 241,706	\$ 332,194
Expenses	<u>(157,917)</u>	<u>(155,955)</u>
	<u>\$ 83,789</u>	<u>\$ 176,239</u>

Note R - Concentrations

At May 31, 2018, the Theatre has two donors that represent 66% of the gross pledges receivable. At May 31, 2017, the Theatre had two donors that represent 89% of the gross pledges receivables.

Supplementary Information



Independent Auditor's Report on Supplementary Information

To the Board of Directors of
Actors Theatre of Louisville, Inc.

We have audited the financial statements of Actors Theatre of Louisville, Inc. as of and for the years ended May 31, 2018 and 2017, and have issued our report thereon dated September 25, 2018, which contains an unmodified opinion on those financial statements and appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The schedules of functional expenses for the years ended May 31, 2018 and 2017 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

MCM CPAs & Advisors LLP

Louisville, Kentucky
September 25, 2018

Actors Theatre of Louisville, Inc.
Statement of Functional Expenses
Year Ended May 31, 2018

	Program Services	Auxiliary	Management and General	Fundraising	Total
Expenses					
Salaries and wages	\$ 3,760,250	\$ 643	\$ 718,872	\$ 229,952	\$ 4,709,717
Employee benefits	914,367	79,673	167,666	2,235	1,163,941
Guest artist travel and housing	453,246	-	-	-	453,246
Guest artist fees and benefits	423,457	-	-	-	423,457
Production expenses	459,863	-	-	-	459,863
Education programs	263,683	-	-	-	263,683
Royalties	187,705	-	-	-	187,705
Other travel, lodging and entertainment	152,983	-	19,163	13,979	186,125
Marketing and promotion	784,661	-	-	-	784,661
Depreciation	480,612	140,994	54,603	-	676,209
Building occupancy other than salaries	384,064	210,138	-	-	594,202
Professional fees and consultants	47,612	-	56,726	97,085	201,423
Telephone and other office expenses	68,755	-	53,320	9,893	131,968
Business insurance	95,570	-	34,792	-	130,362
Information technology	-	-	117,490	-	117,490
Interest	-	-	110,322	-	110,322
Credit card fees	-	-	86,721	-	86,721
Uncollectible pledges	-	-	-	65,600	65,600
Donor cultivation	-	-	-	29,610	29,610
Other expenses	51,330	61,656	48,160	44,394	205,540
	<u>51,330</u>	<u>61,656</u>	<u>48,160</u>	<u>44,394</u>	<u>205,540</u>
Total Expenses	<u>\$ 8,528,158</u>	<u>\$ 493,104</u>	<u>\$ 1,467,835</u>	<u>\$ 492,748</u>	<u>\$ 10,981,845</u>

See independent auditor's report on supplementary information

Actors Theatre of Louisville, Inc.
Statement of Functional Expenses
Year Ended May 31, 2017

	Program Services	Auxiliary	Management and General	Fundraising	Total
Expenses					
Salaries and wages	\$ 3,772,734	\$ 2,399	\$ 736,617	\$ 348,349	\$ 4,860,099
Employee benefits	919,737	81,033	189,012	2,738	1,192,520
Guest artist travel and housing	480,417	-	-	-	480,417
Guest artist fees and benefits	438,915	-	-	-	438,915
Production expenses	434,725	-	-	-	434,725
Education programs	238,846	-	-	-	238,846
Royalties	173,515	-	-	-	173,515
Other travel, lodging and entertainment	188,134	-	24,355	34,618	247,107
Marketing and promotion	747,638	-	-	-	747,638
Depreciation	517,635	160,401	78,034	-	756,070
Building occupancy other than salaries	357,182	377,268	-	-	734,450
Professional fees and consultants	23,755	-	67,094	6,251	97,100
Telephone and other office expenses	85,697	-	53,471	21,327	160,495
Business insurance	113,944	-	25,358	-	139,302
Information technology	-	-	126,409	-	126,409
Interest	-	-	82,372	-	82,372
Credit card fees	-	-	88,441	-	88,441
Uncollectible pledges	-	-	-	12,802	12,802
Donor cultivation	-	-	-	29,590	29,590
Other expenses	48,614	66,665	39,979	54,999	210,257
	<u>8,541,488</u>	<u>687,766</u>	<u>1,511,142</u>	<u>510,674</u>	<u>11,251,070</u>
Total Expenses	<u>\$ 8,541,488</u>	<u>\$ 687,766</u>	<u>\$ 1,511,142</u>	<u>\$ 510,674</u>	<u>\$ 11,251,070</u>

See independent auditor's report on supplementary information