

Actors Theatre of Louisville, Inc.
Financial Statements
Years Ended May 31, 2020 and 2019

Actors Theatre of Louisville, Inc.
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Years Ended May 31, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, 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.

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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, 2020 and 2019, 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
October 20, 2020

Actors Theatre of Louisville, Inc.
Statements of Financial Position
May 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,127,577	\$ 489,650
Deferred season ticket expenses	21,964	29,727
Pledges receivable, net - current portion	955,845	1,170,677
Other current assets	<u>379,364</u>	<u>267,944</u>
Total current assets	2,484,750	1,957,998
Property and equipment, net	7,079,871	7,392,303
Investments, at fair value	7,875,416	8,407,988
Investments, at cost	1,040,452	966,401
Pledges receivable, net - net of current portion	<u>542,997</u>	<u>1,398,718</u>
Total assets	<u>\$ 19,023,486</u>	<u>\$ 20,123,408</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 602,287	\$ 528,680
Deferred season ticket revenue	704,637	668,714
Lines of credit	750,000	450,000
Refundable advance - Paycheck Protection Program	<u>1,018,700</u>	<u>-</u>
Total current liabilities	3,075,624	1,647,394
Other liabilities	<u>136,399</u>	<u>143,314</u>
Total liabilities	3,212,023	1,790,708
Net assets		
Without donor restrictions	6,244,551	7,603,708
With donor restrictions	<u>9,566,912</u>	<u>10,728,992</u>
Total net assets	<u>15,811,463</u>	<u>18,332,700</u>
Total liabilities and net assets	<u>\$ 19,023,486</u>	<u>\$ 20,123,408</u>

See accompanying notes.

Actors Theatre of Louisville, Inc.
Statements of Activities and Changes in Net Assets
Years Ended May 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains						
Ticket sales	\$ 2,610,116	\$ -	\$ 2,610,116	\$ 3,225,298	\$ -	\$ 3,225,298
Other earned	341,772	-	341,772	366,694	-	366,694
Auxiliary operations	856,974	-	856,974	986,560	-	986,560
Contributions						
Individuals	936,543	5,801	942,344	707,700	11,055	718,755
Government, foundation, corporate	1,567,640	459,509	2,027,149	1,500,182	1,826,306	3,326,488
Fundraising events, net	248,374	-	248,374	174,661	-	174,661
Investment income, net (Note E)	32,887	158,944	191,831	(104,958)	(264,640)	(369,598)
Net assets released from restrictions	1,786,334	(1,786,334)	-	1,460,000	(1,460,000)	-
Total revenues and gains	8,380,640	(1,162,080)	7,218,560	8,316,137	112,721	8,428,858
Expenses and losses						
Program services	8,196,832	-	8,196,832	8,384,979	-	8,384,979
Management and general	1,071,597	-	1,071,597	1,226,245	-	1,226,245
Fundraising	471,368	-	471,368	411,958	-	411,958
Total expenses and losses	9,739,797	-	9,739,797	10,023,182	-	10,023,182
Changes in net assets	(1,359,157)	(1,162,080)	(2,521,237)	(1,707,045)	112,721	(1,594,324)
Net assets at beginning of year	7,603,708	10,728,992	18,332,700	9,310,753	10,616,271	19,927,024
Net assets at end of year	\$ 6,244,551	\$ 9,566,912	\$ 15,811,463	\$ 7,603,708	\$ 10,728,992	\$ 18,332,700

See accompanying notes.

Actors Theatre of Louisville, Inc.
Statement of Functional Expenses
Year Ended May 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total</u>
Salaries and wages	\$ 3,476,496	\$ 452,552	\$ 221,508	\$ 4,150,556
Employee benefits	908,882	118,236	44,104	1,071,222
Marketing and promotion	754,786	-	-	754,786
Building occupancy other than salaries	468,793	165,542	-	634,335
Depreciation	479,128	42,084	-	521,212
Guest artist fees and benefits	418,518	-	-	418,518
Production expenses	388,962	-	-	388,962
Guest artist travel and housing	325,896	-	-	325,896
Education programs	215,886	-	-	215,886
Royalties	166,519	-	-	166,519
Other expenses	138,310	38,073	72,787	249,170
Other travel, lodging, and entertainment	88,736	1,915	7,615	98,266
Fundraising events	-	-	152,728	152,728
Professional fees and consultants	20,928	162,825	75,133	258,886
Business insurance	111,530	18,155	-	129,685
Information technology	93,155	17,467	5,822	116,444
Telephone and other office expenses	32,692	49,959	10,244	92,895
Credit card fees	80,208	826	1,654	82,688
Donor cultivation	-	-	30,850	30,850
Interest	27,407	3,963	1,651	33,021
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses and losses	8,196,832	1,071,597	624,096	9,892,525
Less expenses netted against revenues on the statement of activities				
Fundraising events	-	-	(152,728)	(152,728)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses included in the expense section on the statement of activities	<u>\$ 8,196,832</u>	<u>\$ 1,071,597</u>	<u>\$ 471,368</u>	<u>\$ 9,739,797</u>

See accompanying notes.

Actors Theatre of Louisville, Inc.
Statement of Functional Expenses
Year Ended May 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>
Salaries and wages	\$ 3,479,330	\$ 610,771	\$ 270,079	\$ 4,360,180
Employee benefits	886,335	131,991	48,179	1,066,505
Marketing and promotion	756,529	-	-	756,529
Depreciation	553,536	30,109	-	583,645
Building occupancy other than salaries	433,212	175,022	-	608,234
Production expenses	403,735	-	-	403,735
Guest artist travel and housing	393,235	-	-	393,235
Guest artist fees and benefits	420,963	-	-	420,963
Education programs	249,550	-	-	249,550
Professional fees and consultants	22,050	120,223	1,108	143,381
Other travel, lodging and entertainment	140,984	15,634	5,280	161,898
Royalties	196,236	-	-	196,236
Other expenses	106,488	48,257	21,083	175,828
Fundraising events	-	-	145,653	145,653
Telephone and other office expenses	37,579	55,921	20,131	113,631
Business insurance	112,199	18,265	-	130,464
Information technology	93,844	17,597	5,865	117,306
Interest	10,327	1,510	677	12,514
Credit card fees	88,847	945	4,726	94,518
Uncollectible pledges	-	-	-	-
Donor cultivation	-	-	34,830	34,830
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses and losses	8,384,979	1,226,245	557,611	10,168,835
Less expenses netted against revenues on the statement of activities				
Fundraising events	-	-	(145,653)	(145,653)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses included in the expense section on the statement of activities	<u>\$ 8,384,979</u>	<u>\$ 1,226,245</u>	<u>\$ 411,958</u>	<u>\$ 10,023,182</u>

See accompanying notes.

Actors Theatre of Louisville, Inc.
Statements of Cash Flows
Years Ended May 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Changes in net assets	\$ (2,521,237)	\$ (1,594,324)
Adjustments to reconcile changes in net assets to cash used by operating activities		
Depreciation	521,213	583,645
Loss on sale/disposal of property	-	4,576
Loss (Gain) on uncollectible pledges	53,500	(7,697)
Gain on investment in limited partnership	(62,516)	(322,983)
Net realized and unrealized loss on investments	10,355	823,415
Changes in:		
Deferred season ticket expenses	7,763	32,740
Pledges receivable, net	1,017,053	(279,029)
Other assets	(111,420)	86,174
Accounts payable and accrued expenses	95,071	(17,930)
Deferred season ticket revenue	35,923	10,714
Other liabilities	(6,915)	(7,113)
Refundable advance	1,018,700	-
Net cash provided by (used by) operating activities	<u>57,490</u>	<u>(687,812)</u>
Cash flows from investing activities		
Purchases of property and equipment	(230,245)	(164,968)
Purchases of investments	(1,989,455)	(5,078,744)
Proceeds from sale of investments	2,500,137	5,591,119
Net cash provided by investing activities	<u>280,437</u>	<u>347,407</u>
Cash flows from financing activities		
Proceeds from lines of credit	500,000	450,000
Payments on lines of credit	(200,000)	-
Net cash provided by financing activities	<u>300,000</u>	<u>450,000</u>
Net increase in cash and cash equivalents	637,927	109,595
Cash and cash equivalents at beginning of year	<u>489,650</u>	<u>380,055</u>
Cash and cash equivalents at end of year	<u>\$ 1,127,577</u>	<u>\$ 489,650</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 32,242	\$ 12,464
Property and equipment included in accounts payable	51,374	72,838

See accompanying notes.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements
Years Ended May 31, 2020 and 2019

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. The Theatre also rents space to other organizations and maintains a parking garage for personnel and patrons.

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 is required to report information regarding its financial position and activities according to the following classes of net assets:
 - *Net Assets Without Donor Restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Theatre's management and the board of directors.
 - *Net Assets with Donor Restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Theatre or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Theatre reports gifts of cash and other assets as donor 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, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions 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.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

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.
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.
8. Investments: Investments in marketable securities are stated at fair value. Net unrealized and realized gains or losses are reflected in the statements of activities and changes in net assets.

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. Revenue Recognition: On June 1, 2019, the Theatre adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The standard was adopted using the modified retrospective method. Topic 606 creates a single framework for recognizing revenue from contracts with customers that fall within its scope and supersedes nearly all existing GAAP for revenue recognition guidance. The standard's core principle is that an entity will recognize revenue when it transfers 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. The Theatre noted no material impact on the financial statements as a result of the adoption of this amended guidance. A portion of the Theatre's revenue is from contributions, investment income, and rental income which are outside the scope of Topic 606.

Revenue derived from tickets and fees is recognized when the event for which the ticket pertains has been performed. For season tickets and a series of flex passes, revenue would be recognized proportionately as each pass is utilized, with the remaining recognized upon expiration of the pass. Contributions are recognized as revenue in the period they are received. Unconditional grants are recognized in the period of award. Conditional grants are recognized upon compliance with applicable conditions.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

10. Revenue Recognition (Continued): Effective June 1, 2019, the Theatre adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists 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 was adopted, with no material impact, as it relates to contributions received for the year ending May 31, 2020 and will apply to contributions made for the year ending May 31, 2021. The Theatre noted no material impact on the financial statements as a result of the adoption of this guidance.
11. Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis on the statement of activities. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Theatre are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the programs and supporting services benefited. Accordingly, certain costs have been allocated among program services, management and general, and fundraising. The allocated expenses include building occupancy other than salaries, depreciation, and business insurance which are allocated based square footage, as well as salaries and wages and employee benefits, which are allocated based on estimates of time and effort.
12. Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 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, 2023. The Theatre is currently evaluating ASU 2016-02 and its impact on the Theatre's financial statements.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note C - Pledges Receivable

Pledges receivable at May 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Gross pledges receivable, operating	\$ 1,558,043	\$ 2,686,875
Less discount to present value	(43,201)	(97,480)
Less allowance for uncollectible pledges	<u>(16,000)</u>	<u>(20,000)</u>
	<u>\$ 1,498,842</u>	<u>\$ 2,569,395</u>

Gross pledges receivable at May 31, 2020 are due according the following schedule:

Less than one year	\$ 963,844
One to five years	<u>594,199</u>
	<u>\$ 1,558,043</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 1.18% - 3.58%.

Note D - Property and Equipment

Property and equipment consists of the following at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,381,105	\$ 1,381,105
Buildings	22,476,064	22,363,714
Equipment	1,977,004	1,938,302
Production elements	<u>400,920</u>	<u>400,920</u>
	26,235,093	26,084,041
Less accumulated depreciation	<u>19,155,222</u>	<u>18,691,738</u>
	<u>\$ 7,079,871</u>	<u>\$ 7,392,303</u>

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note E - Investments

Investments, at fair value consist of the following at May 31, 2020 and 2019:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 699,997	\$ 699,997	\$ 1,386,107	\$ 1,386,107
Mutual funds	850,025	1,233,789	850,025	1,317,285
Corporate stocks	4,724,125	5,941,630	4,582,497	5,704,596
	<u>\$ 6,274,147</u>	<u>\$ 7,875,416</u>	<u>\$ 6,818,629</u>	<u>\$ 8,407,988</u>

Investments, at cost consist of the following at May 31, 2020 and 2019:

	2020		2019	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
Investment in limited partnerships - cost method	\$ 1,040,452	\$ 1,088,570	\$ 966,401	\$ 1,151,208

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, 2020 and 2019:

Description of Investments	2020					
	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	\$ 113,547	\$ (14,752)	\$ 105,071	\$ (21,297)	\$ 218,618	\$ (36,049)

Description of Investments	2019					
	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	\$ 71,266	\$ (3,734)	\$ 51,835	\$ (17,391)	\$ 123,101	\$ (21,125)

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

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 10% and 20% of total investments held at May 31, 2020 and 2019. 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, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 180,222	\$ 172,160
Investment fees	(40,552)	(41,326)
Net realized and unrealized loss on investments	(10,355)	(823,415)
Gain from investment in limited partnerships	<u>62,516</u>	<u>322,983</u>
	<u>\$ 191,831</u>	<u>\$ (369,598)</u>

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 is approximately \$29,000 and \$28,000 as of May 31, 2020 and 2019, respectively. 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, 2020 and 2019 is approximately \$128,000 and \$151,000, respectively. 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 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 is approximately \$7,000 and \$14,000 as of May 31, 2020 and 2019, respectively. 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 had no cost basis investment in the partnership as of May 31, 2020 as the fund was liquidated in 2020. The Theatre's cost basis investment in the partnership as of May 31, 2019 was approximately \$74,000. The Theatre accounts for less than one percent interest in the limited partnership under the cost method.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

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, 2020 and 2019 is approximately \$51,000 and \$69,000, 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, 2020 and 2019 is approximately \$214,000 and \$224,000, 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, 2020 and 2019 is approximately \$535,000 and \$330,000, respectively. The Theatre accounts for less than one percent interest in the limited partnership under the cost method.

In December 2018, the Theatre committed a total of \$1,000,000 to Fort Washington Private Equity Investors Fund X, L.P. Fort Washington Fund X 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, 2020 and 2019 is approximately \$75,000. 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, 2020:

	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Chrysalis Ventures II, L.P.	\$ 3,124	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.	73,750	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.	455,000	N/A	N/A
Fort Washington Private Equity Investors X, L.P.	675,000	N/A	N/A

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

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.

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, 2020 and 2019.

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, 2020:

	Assets at Fair Value as of May 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 699,997	\$ -	\$ -	\$ 699,997
Corporate stocks	5,941,630	-	-	5,941,630
Mutual funds	1,233,789	-	-	1,233,789
Limited partnerships carried at cost	-	-	1,088,570	1,088,570
	<u>\$ 7,875,416</u>	<u>\$ -</u>	<u>\$ 1,088,570</u>	<u>\$ 8,963,986</u>

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

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, 2019:

	Assets at Fair Value as of May 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,386,107	\$ -	\$ -	\$ 1,386,107
Corporate stocks	5,704,596	-	-	5,704,596
Mutual funds	1,317,285	-	-	1,317,285
Limited partnerships carried at cost	-	-	1,151,208	1,151,208
	<u>\$ 8,407,988</u>	<u>\$ -</u>	<u>\$ 1,151,208</u>	<u>\$ 9,559,196</u>

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, 2020 and 2019 are as follows:

	2020	2019
Balance, beginning of year	\$ 1,151,208	\$ 2,545,062
Realized and unrealized gains on investments		
Net realized gains on investments (included in investment income)	62,516	322,983
Net change in unrealized (depreciation) appreciation relating to investments held at the reporting date	(136,689)	(231,172)
Purchases of investments	231,194	249,364
Sales of investments	(219,659)	(1,735,029)
Balance, end of year	<u>\$ 1,088,570</u>	<u>\$ 1,151,208</u>

Net change in unrealized (depreciation) 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 four individual funds established for various purposes (see Note J and K). 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.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note G - Endowment Fund (Continued)

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 net assets with donor restrictions - perpetuity 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 net assets with donor restrictions - perpetuity is classified as net assets with donor restrictions - time or purpose until appropriated for expenditure by the Theatre.

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.

Endowment net asset composition as of May 31, 2020 and 2019 is as follows:

	May 31, 2020			
	Without Donor Restrictions	With Donor Restrictions - Time or Purpose	With Donor Restrictions - Perpetuity	Total
Donor restricted	\$ -	\$ 1,751,285	\$ 6,036,817	\$ 7,788,102
Board designated	1,183,621	-	-	1,183,621
Total	\$ 1,183,621	\$ 1,751,285	\$ 6,036,817	\$ 8,971,723
	May 31, 2019			
	Without Donor Restrictions	With Donor Restrictions - Time or Purpose	With Donor Restrictions - Perpetuity	Total
Donor restricted	\$ -	\$ 2,031,204	\$ 6,059,034	\$ 8,090,238
Board designated	1,396,752	-	-	1,396,752
Total	\$ 1,396,752	\$ 2,031,204	\$ 6,059,034	\$ 9,486,990

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note G - Endowment Fund (Continued)

Changes in endowment net assets for the year ended May 31, 2020 is as follows:

	May 31, 2020			Total
	Without Donor Restrictions	With Donor Restrictions - Time or Purpose	With Donor Restrictions - Perpetuity	
Endowment net assets, beginning of the year	\$ 1,396,752	\$ 2,031,204	\$ 6,059,034	\$ 9,486,990
Investment return				
Investment income	18,786	120,766	-	139,552
Net (depreciation) appreciation	13,749	33,649	4,529	51,927
Total investment return	32,535	154,415	4,529	191,479
Contributions	30,000	-	3,254	33,254
Appropriated for expenditure	(275,666)	(434,334)	(30,000)	(740,000)
Endowment net assets, end of year	<u>\$ 1,183,621</u>	<u>\$ 1,751,285</u>	<u>\$ 6,036,817</u>	<u>\$ 8,971,723</u>

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note G - Endowment Fund (Continued)

Changes in endowment net assets for the year ended May 31, 2019 is as follows:

	May 31, 2019			Total
	Without Donor Restrictions	With Donor Restrictions - Time or Purpose	With Donor Restrictions - Perpetuity	
Endowment net assets, beginning of the year	\$ 2,114,920	\$ 2,422,079	\$ 5,988,790	\$ 10,525,789
Investment return				
Investment income	22,571	108,104	-	130,675
Net appreciation	(126,587)	(438,979)	66,235	(499,331)
Total investment return	(104,016)	(330,875)	66,235	(368,656)
Contributions	65,848	-	4,009	69,857
Appropriated for expenditure	(680,000)	(60,000)	-	(740,000)
Endowment net assets, end of year	<u>\$ 1,396,752</u>	<u>\$ 2,031,204</u>	<u>\$ 6,059,034</u>	<u>\$ 9,486,990</u>

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 (3.25% at May 31, 2020), which expires December 2020. The outstanding balance on this line of credit as of May 31, 2020 is \$500,000. There is no outstanding balance on this line of credit at May 31, 2019.

The Theatre has an unsecured line of credit agreement with Republic Bank for \$500,000 with an interest rate of prime (3.25% at May 31, 2020) with a floor of 3.25%, which expires November 2020. The outstanding balance on this line of credit as of May 31, 2020 and 2019 is \$250,000 and \$450,000, respectively.

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, 2020 is \$65,310 with an expiration date of July 2021.

Interest expense was \$33,021 and \$12,514 for the years ended May 31, 2020 and 2019, respectively.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note I - Refundable Advance

In April 2020, the Theatre applied for and received approval for a Paycheck Protection Program (PPP) loan under the CARES Act in the amount of \$1,018,700. This loan bears interest at approximately 1%, is due in 2 years and is unsecured. Under the CARES Act, subject to limitations, as defined, this loan may be partially or fully forgiven depending on specific actual payroll and other qualified costs for the covered period following receipt of loan proceeds. The Theatre is accounting for the loan proceeds as a conditional contribution in accordance with ASC 958-605. As such, the Theatre maintains the conditions will be substantially met when forgiveness is received from its bank.

Note J - Net Assets without Donor Restrictions

Net assets without donor restrictions include amounts designated by the Board for endowment of \$1,183,621 and \$1,396,752 at May 31, 2020 and 2019.

Note K - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Shakespeare plays	\$ 1,485,929	\$ 1,723,799
Professional training company	564,475	669,603
Humana festival and other new work	750,000	1,465,396
Actors artistic programming	266,627	306,219
New play development	17,486	16,952
Capital improvement	9,007	9,007
Building demand exploration grant	77,860	2,829
Purpose to be determined	<u>(1,271)</u>	<u>1,186</u>
Total subject to expenditure for specified purpose	3,170,113	4,194,991
Subject to the passage of time (future seasons)	<u>359,982</u>	<u>474,967</u>
Endowments to be maintained in perpetuity		
Shakespeare plays	3,770,588	3,766,059
Theatrical productions	1,350,000	1,350,000
Actors artistic programming	800,373	800,373
Purpose to be determined	<u>115,856</u>	<u>142,602</u>
Total endowments to be maintained in perpetuity	<u>6,036,817</u>	<u>6,059,034</u>
Total net assets with donor restrictions	<u>\$ 9,566,912</u>	<u>\$ 10,728,992</u>

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note K - Net Assets with Donor Restrictions (Continued)

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 restricted in perpetuity.

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

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

Note L - 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 \$28,824 and \$18,691 during the years ended May 31, 2020 and 2019 respectively, were recorded as contributions, and program and supporting services expenses or capitalized.

Note M - Lease Income

The Theatre has a one-year lease agreement for its parking facility that expired in July 2019 and is currently month to month. The Theatre receives rental income on the lease based on a percentage of gross revenue. Rental income from the parking facility was \$583,758 and \$679,448 in 2020 and 2019, 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>
2021	<u>\$ 127,631</u>
	<u>\$ 127,631</u>

Rental income from the building leases was \$197,114 and \$191,728 in 2020 and 2019, 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, 2020 and 2019

Note N - 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, 2020 and 2019. Future minimum lease payments under this lease are as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2021	\$ 129,600
2022	129,600
2023	129,600
2024	129,600
2023	129,600
Thereafter	<u>864,000</u>
	<u>\$ 1,512,000</u>

This rent expense was offset by rental income under subleases of \$1,795 and \$3,740 in 2020 and 2019, respectively.

Note O - 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 \$79,182 in 2020 and \$61,688 in 2019 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, 2020, the Theatre has no plans to withdraw from the Plans.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note O - Pension and Employee Benefit Plans (Continued)

The Theatre's participation in the Plans as of May 31, 2020 and for the years ended May 31, 2020 and 2019 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 2020 to 2019 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, 2019	Green	August 31, 2019	Yellow
	May 31, 2018	Green	August 31, 2018	Yellow
FIP/RP Status Pending/ Implemented	No		Yes / Implemented	
Theatre	2020	\$ 51,349	\$ 8,678	
Contributions	2019	\$ 42,319	\$ 8,102	
Surcharge Imposed	No		No	
Greater than 5% Contributor to the Plan	No		No	
Expiration Date of Collective - Bargaining Agreement	February 13, 2022		April 14, 2022	
	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, 2019	Green	March 31, 2020	Red
	December 31, 2018	Green	March 31, 2019	Red
FIP/RP Status Pending/ Implemented	No		Yes / Implemented	
Theatre	2020	\$ 12,775	\$ 6,380	
Contributions	2019	\$ 11,267	\$ -	
Surcharge Imposed	No		Yes	
Greater than 5% Contributor to the Plan	No		No	
Expiration Date of Collective - Bargaining Agreement	June 30, 2022		August 31, 2020	

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note O - Pension and Employee Benefit Plans (Continued)

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 \$168,000 and \$145,000 for 2020 and 2019, respectively. There have been no significant changes that affect the comparability of 2020 to 2019 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 \$47,797 and \$48,592 for 2020 and 2019, respectively.

Note P - 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 \$19,000 and \$18,000 for the years ended May 31, 2020 and 2019, respectively. The current portion of the deferred compensation obligation is included in accounts payable and accrued expenses and totals approximately \$7,000 at May 31, 2020 and 2019. The long-term portion of the deferred compensation obligation is included in other liabilities and totals approximately \$136,400 and \$143,300 at May 31, 2020 and 2019, respectively.

Note Q - 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 R - Fundraising Events

Gross revenues and direct event expenses related to fundraising events during the years ended May 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Lobster Feast		
Revenues	\$ 401,102	\$ 320,314
Expenses	<u>(152,728)</u>	<u>(145,653)</u>
	<u>\$ 248,374</u>	<u>\$ 174,661</u>

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note S - Concentrations

At May 31, 2020, the Theatre has two donors that represent 84% of the gross pledges receivable. At May 31, 2019, the Theatre had two donors that represent 83% of the gross pledges receivables.

Note T - Liquidity and Availability of Resources

The following details the Theatre's financial assets as of May 31, 2020 and 2019 available within one year for general expenditure:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,127,577	\$ 489,650
Pledges receivable, net	1,498,842	2,569,395
Other financial assets included in other current assets	67,594	94,661
Investments	<u>8,915,868</u>	<u>9,374,389</u>
 Total financial assets	 11,609,881	 12,528,095
 Less amounts not available to be used within one year		
Receivables scheduled to be collected in more than one year	(542,997)	(1,398,718)
Donor endowment funds	(7,788,102)	(8,090,238)
Other donor restrictions	(1,235,813)	(1,240,036)
 Amounts unavailable to management without Board's approval		
Board designated endowment	<u>(1,183,621)</u>	<u>(1,396,752)</u>
	859,348	402,351
 Add: endowment fund appropriations for following year, not subject to restriction	 <u>100,668</u>	 <u>360,000</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 960,016</u>	 <u>\$ 762,351</u>

The Theatre experiences fluctuations in income and resource requirements based on its annual production season and the timing of receipt on significant pledges. To help manage liquidity needs during seasonal fluctuations, the Theatre has two lines of credit that total \$1,000,000 with an available balance of \$250,000 and \$550,000 at May 31, 2020 and 2019, respectively (see Note H).

Note U - Contingencies

From time to time, the Theatre may be involved in lawsuits arising in the course of its activities. Such lawsuits, in the opinion of management, would not have a material effect on the Theatre's financial position or its changes in net assets.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2020 and 2019

Note V - Expenses

The following schedule illustrates an alternative breakdown of the Theatre's program expenses as of May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Program expenses		
Artistic and production	\$ 4,542,694	\$ 4,415,032
Education	432,418	505,162
Audience services and sales	1,636,781	1,791,815
Other*	<u>1,584,939</u>	<u>1,672,970</u>
 Total program expenses	 <u>\$ 8,196,832</u>	 <u>\$ 8,384,979</u>

*Other includes depreciation, insurance, IT, and occupancy expenses

Note W - Risks and Uncertainties

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As of the date the financial statements were available to be issued, the Theatre's operations have been adversely impacted by the COVID-19 outbreak. The Theatre's operations are expected to continue to experience this adverse impact as a result of COVID-19. Based on current circumstances, management believes it has the financial strength and liquidity to sustain operations for at least one year beyond the date the financial statements are available to be issued. However, the ultimate impact is not known at this point as the scale and severity of the outbreak, and resulting economic impact, is still largely unknown.