

Actors Theatre of Louisville, Inc.
Financial Statements
Years Ended May 31, 2021 and 2020

Actors Theatre of Louisville, Inc.
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Years Ended May 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 27, 2021

Actors Theatre of Louisville, Inc.
Statements of Financial Position
May 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 1,049,291 | \$ 1,127,577 |
| Deferred season ticket expenses | - | 21,964 |
| Pledges receivable, net - current portion | 276,600 | 955,845 |
| Other current assets | <u>531,058</u> | <u>379,364</u> |
| Total current assets | 1,856,949 | 2,484,750 |
| Property and equipment, net | 6,597,335 | 7,079,871 |
| Investments, at fair value | 11,495,072 | 7,875,416 |
| Investments, at cost | 1,214,461 | 1,040,452 |
| Pledges receivable, net - net of current portion | <u>27,327</u> | <u>542,997</u> |
| Total assets | <u>\$ 21,191,144</u> | <u>\$ 19,023,486</u> |
| Liabilities and net assets | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 557,124 | \$ 602,287 |
| Deferred season ticket revenue | 350,647 | 704,637 |
| Lines of credit | - | 750,000 |
| Refundable advance - Paycheck Protection Program ("PPP") | <u>-</u> | <u>1,018,700</u> |
| Total current liabilities | 907,771 | 3,075,624 |
| Other liabilities | <u>129,724</u> | <u>136,399</u> |
| Total liabilities | 1,037,495 | 3,212,023 |
| Net assets | | |
| Without donor restrictions | 9,267,256 | 6,244,551 |
| With donor restrictions | <u>10,886,393</u> | <u>9,566,912</u> |
| Total net assets | <u>20,153,649</u> | <u>15,811,463</u> |
| Total liabilities and net assets | <u>\$ 21,191,144</u> | <u>\$ 19,023,486</u> |

See accompanying notes.

Actors Theatre of Louisville, Inc.
Statements of Activities and Changes in Net Assets
Years Ended May 31, 2021 and 2020

| | 2021 | | | 2020 | | |
|---------------------------------------|----------------------------|-------------------------|---------------|----------------------------|-------------------------|---------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Revenues and gains | | | | | | |
| Ticket sales | \$ 451,881 | \$ - | \$ 451,881 | \$ 2,610,116 | \$ - | \$ 2,610,116 |
| Other earned | 1,601,945 | - | 1,601,945 | 341,772 | - | 341,772 |
| Auxiliary operations | 550,472 | - | 550,472 | 856,974 | - | 856,974 |
| Contributions | | | | | | |
| Individuals | 607,714 | 6,115 | 613,829 | 936,543 | 5,801 | 942,344 |
| Government, foundation, corporate | 1,462,673 | 443,823 | 1,906,496 | 1,567,640 | 459,509 | 2,027,149 |
| Fundraising events, net | 75,215 | - | 75,215 | 248,374 | - | 248,374 |
| Investment income, net (Note F) | 536,590 | 3,556,861 | 4,093,451 | 32,887 | 158,944 | 191,831 |
| Net assets released from restrictions | 2,687,318 | (2,687,318) | - | 1,786,334 | (1,786,334) | - |
| Total revenues and gains | 7,973,808 | 1,319,481 | 9,293,289 | 8,380,640 | (1,162,080) | 7,218,560 |
| Expenses and losses | | | | | | |
| Program services | 3,523,682 | - | 3,523,682 | 8,196,832 | - | 8,196,832 |
| Management and general | 664,332 | - | 664,332 | 1,071,597 | - | 1,071,597 |
| Fundraising | 763,089 | - | 763,089 | 471,368 | - | 471,368 |
| Total expenses and losses | 4,951,103 | - | 4,951,103 | 9,739,797 | - | 9,739,797 |
| Changes in net assets | 3,022,705 | 1,319,481 | 4,342,186 | (1,359,157) | (1,162,080) | (2,521,237) |
| Net assets at beginning of year | 6,244,551 | 9,566,912 | 15,811,463 | 7,603,708 | 10,728,992 | 18,332,700 |
| Net assets at end of year | \$ 9,267,256 | \$ 10,886,393 | \$ 20,153,649 | \$ 6,244,551 | \$ 9,566,912 | \$ 15,811,463 |

See accompanying notes.

Actors Theatre of Louisville, Inc.
Statement of Functional Expenses
Year Ended May 31, 2021

| | <u>Program services</u> | <u>Management and general</u> | <u>Fundraising</u> | <u>2021 Total</u> |
|---|-----------------------------|-----------------------------------|--------------------|---------------------|
| Salaries and wages | \$ 1,382,840 | \$ 269,035 | \$ 189,709 | \$ 1,841,584 |
| Employee benefits | 281,278 | 82,677 | 26,967 | 390,922 |
| Marketing and promotion | 270,701 | - | - | 270,701 |
| Building occupancy other than salaries | 303,311 | 75,114 | - | 378,425 |
| Depreciation | 463,784 | 54,826 | - | 518,610 |
| Guest artist fees and benefits | 190,586 | - | - | 190,586 |
| Production expenses | 105,295 | - | - | 105,295 |
| Guest artist travel and housing | 135,327 | - | - | 135,327 |
| Education programs | 109,630 | - | - | 109,630 |
| Royalties | 29,666 | - | - | 29,666 |
| Other expenses | 38,245 | 26,236 | 533,059 | 597,540 |
| Other travel, lodging, and entertainment | 312 | 395 | - | 707 |
| Fundraising events | - | - | 21,209 | 21,209 |
| Professional fees and consultants | 300 | 82,278 | 1,725 | 84,303 |
| Business insurance | 115,832 | 18,856 | - | 134,688 |
| Information technology | 69,972 | 13,120 | 4,374 | 87,466 |
| Telephone and other office expenses | 3,101 | 39,488 | 2,205 | 44,794 |
| Credit card fees | 8,240 | 101 | 1,831 | 10,172 |
| Donor cultivation | - | - | 2,300 | 2,300 |
| Interest | 15,262 | 2,206 | 919 | 18,387 |
| | <u>3,523,682</u> | <u>664,332</u> | <u>784,298</u> | <u>4,972,312</u> |
| Total expenses and losses | | | | |
| Less expenses netted against revenues on the statement of activities | | | | |
| Fundraising events | <u>-</u> | <u>-</u> | <u>(21,209)</u> | <u>(21,209)</u> |
| Total expenses included in the expense section on the statement of activities | <u>\$ 3,523,682</u> | <u>\$ 664,332</u> | <u>\$ 763,089</u> | <u>\$ 4,951,103</u> |

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 | 165,541 | - | 634,334 |
| Depreciation | 479,128 | 42,085 | - | 521,213 |
| 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 |
| | <u>8,196,832</u> | <u>1,071,597</u> | <u>624,096</u> | <u>9,892,525</u> |
| Total expenses and losses | | | | |
| Less expenses netted against revenues on the statement of activities | | | | |
| Fundraising events | <u>-</u> | <u>-</u> | <u>(152,728)</u> | <u>(152,728)</u> |
| 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.
Statements of Cash Flows
Years Ended May 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities | | |
| Changes in net assets | \$ 4,342,186 | \$ (2,521,237) |
| Adjustments to reconcile changes in net assets to cash used by operating activities | | |
| Depreciation | 518,610 | 521,213 |
| Loss on uncollectible pledges | 513,024 | 53,500 |
| Gain on investment in limited partnership | (92,716) | (62,516) |
| Net realized and unrealized (gain) loss on investments | (3,861,887) | 10,355 |
| Forgiveness of PPP loan | (1,018,700) | - |
| Changes in | | |
| Deferred season ticket expenses | 21,964 | 7,763 |
| Pledges receivable, net | 681,891 | 1,017,053 |
| Other assets | (151,694) | (111,420) |
| Accounts payable and accrued expenses | (5,414) | 95,071 |
| Deferred season ticket revenue | (353,990) | 35,923 |
| Other liabilities | (6,675) | (6,915) |
| Refundable advance | - | 1,018,700 |
| Net cash provided by operating activities | <u>586,599</u> | <u>57,490</u> |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (75,823) | (230,245) |
| Purchases of investments | (2,859,374) | (1,989,455) |
| Proceeds from sale of investments | 3,020,312 | 2,500,137 |
| Net cash provided by investing activities | <u>85,115</u> | <u>280,437</u> |
| Cash flows from financing activities | | |
| Proceeds from lines of credit | - | 500,000 |
| Payments on lines of credit | (750,000) | (200,000) |
| Net cash (used in) provided by financing activities | <u>(750,000)</u> | <u>300,000</u> |
| Net (decrease) increase in cash and cash equivalents | (78,286) | 637,927 |
| Cash and cash equivalents at beginning of year | <u>1,127,577</u> | <u>489,650</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,049,291</u> | <u>\$ 1,127,577</u> |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | \$ 17,608 | \$ 32,242 |
| Property and equipment included in accounts payable | 11,625 | 51,374 |

See accompanying notes.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements
Years Ended May 31, 2021 and 2020

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 (see Note C).
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.

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, 2021 and 2020

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.
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 those 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.

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. The Theatre noted no material impact on the financial statements as a result of the adoption of this guidance.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note B - Summary of Significant Accounting Policies (Continued)

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.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires contributed nonfinancial assets be shown separate from contributions of cash and other financial assets and provides for qualitative disclosure regarding valuation techniques, categories of contributed nonfinancial assets, and their use. This standard will be effective for the year ending May 31, 2023.

The Theatre is currently in the process of evaluating the impact of adoption of ASU 2016-02 and 2020-07 on the financial statements.

Note C - Coronavirus Pandemic

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. 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. As a result of the initial uncertainty surrounding the COVID-19 pandemic, the Theatre applied for, and in April 2020, received a Paycheck Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act (see Note J).

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note C - Coronavirus Pandemic (Continued)

In addition to the PPP loan program, the Theatre also participated in the Employee Retention Credit ("ERC") program under the CARES Act. Under the ERC program, an eligible entity may take a credit against the employer's portion of Social Security taxes withheld on qualified wages. The amount of the credit is limited to employment taxes equal to 50 percent of the qualified wages an eligible employer pays to employees after March 12, 2020 and before January 1, 2021, and 70 percent of qualified wages an eligible employer pays to employees between January 1, 2021 and December 31, 2021. For the year ended May 31, 2021, the Theatre recognized \$541,986 of ERC in other earned revenue on the statement of activities.

Subsequent to year end, on July 13, 2021, the Theatre received a \$2,202,357 Shuttered Venue Operators Grant from the SBA.

Note D - Pledges Receivable

Pledges receivable at May 31, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|---------------------|
| Gross pledges receivable, operating | \$ 343,600 | \$ 1,558,043 |
| Less discount to present value | (1,673) | (43,201) |
| Less allowance for uncollectible pledges | <u>(38,000)</u> | <u>(16,000)</u> |
| | <u>\$ 303,927</u> | <u>\$ 1,498,842</u> |

Gross pledges receivable at May 31, 2021 are due according to the following schedule:

| | |
|--------------------|-------------------|
| Less than one year | \$ 313,600 |
| One to five years | <u>30,000</u> |
| | <u>\$ 343,600</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 a rate of 2.91%.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note E - Property and Equipment

Property and equipment consists of the following at May 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|----------------------------|----------------------------|
| Land | \$ 1,381,105 | \$ 1,381,105 |
| Buildings | 22,493,688 | 22,476,064 |
| Equipment | 1,995,454 | 1,977,004 |
| Production elements | <u>400,920</u> | <u>400,920</u> |
| | 26,271,167 | 26,235,093 |
| Less accumulated depreciation | <u>19,673,832</u> | <u>19,155,222</u> |
| | <u><u>\$ 6,597,335</u></u> | <u><u>\$ 7,079,871</u></u> |

Note F - Investments

Investments, at fair value consist of the following at May 31, 2021 and 2020:

| | <u>2021</u> | | <u>2020</u> | |
|---------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|
| | <u>Cost</u> | <u>Fair value</u> | <u>Cost</u> | <u>Fair value</u> |
| Cash and cash equivalents | \$ 360,242 | \$ 360,242 | \$ 699,997 | \$ 699,997 |
| Mutual funds | 850,025 | 1,976,249 | 850,025 | 1,233,789 |
| Corporate stocks | <u>5,398,135</u> | <u>9,158,581</u> | <u>4,724,125</u> | <u>5,941,630</u> |
| | <u><u>\$ 6,608,402</u></u> | <u><u>\$ 11,495,072</u></u> | <u><u>\$ 6,274,147</u></u> | <u><u>\$ 7,875,416</u></u> |

Investments, at cost consist of the following at May 31, 2021 and 2020:

| | <u>2021</u> | | <u>2020</u> | |
|--|---------------------|-----------------------------|---------------------|-----------------------------|
| | <u>Cost</u> | <u>Estimated fair value</u> | <u>Cost</u> | <u>Estimated fair value</u> |
| Investment in limited partnerships - cost method | <u>\$ 1,214,461</u> | <u>\$ 1,730,002</u> | <u>\$ 1,040,452</u> | <u>\$ 1,088,570</u> |

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note F - Investments (Continued)

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, 2021 and 2020:

| Description of investments | 2021 | | | | | |
|--------------------------------------|---------------------|------------|----------------------|-------------|------------|-------------|
| | Less than 12 Months | | 12 Months or greater | | Total | |
| | Estimated | Unrealized | Estimated | Unrealized | Estimated | Unrealized |
| | fair | losses | fair | losses | fair | losses |
| | value | losses | value | losses | value | losses |
| Limited partnerships carried at cost | \$ - | \$ - | \$ 138,590 | \$ (13,642) | \$ 138,590 | \$ (13,642) |

| Description of investments | 2020 | | | | | |
|--------------------------------------|---------------------|-------------|----------------------|-------------|------------|-------------|
| | Less than 12 Months | | 12 Months or greater | | Total | |
| | Estimated | Unrealized | Estimated | Unrealized | Estimated | Unrealized |
| | fair | losses | fair | losses | fair | losses |
| | Value | losses | value | losses | value | losses |
| Limited partnerships carried at cost | \$ 113,547 | \$ (14,752) | \$ 105,071 | \$ (21,297) | \$ 218,618 | \$ (36,049) |

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, 2021 and 2020. 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, net as of May 31, 2021 and 2020 consists of the following:

| | 2021 | 2020 |
|--|---------------------|-------------------|
| Interest and dividend income | \$ 185,058 | \$ 180,222 |
| Investment fees | (46,210) | (40,552) |
| Net realized and unrealized gain (loss) on investments | 3,861,887 | (10,355) |
| Gain from investment in limited partnerships | 92,716 | 62,516 |
| | <u>\$ 4,093,451</u> | <u>\$ 191,831</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 as of both May 31, 2021 and 2020. 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, 2021 and 2020

Note F - Investments (Continued)

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, 2021 and 2020 is approximately \$105,000 and \$128,000, 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 had no cost basis investment in the partnership as of May 31, 2021 as the fund was liquidated in 2021. The Theatre's cost basis investment in the partnership was approximately \$7,000 as of May 31, 2020. The Theatre accounted 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 accounted for less than one percent interest in the limited partnership under the cost method.

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, 2021 and 2020 is approximately \$47,000 and \$51,000, 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, 2021 and 2020 is approximately \$173,000 and \$214,000, 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, 2021 and 2020 is approximately \$635,000 and \$535,000, 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, 2021 and 2020 is approximately \$225,000 and \$75,000, respectively. 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, 2021 and 2020

Note F - Investments (Continued)

The following table sets forth the commitments relative to the Theatre's limited partnership investments at May 31, 2021:

| | Unfunded commitment | Redemption frequency | Redemption notice period |
|--|------------------------|-------------------------|-----------------------------|
| 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. | 355,000 | N/A | N/A |
| Fort Washington Private Equity Investors X, L.P. | 525,000 | N/A | N/A |

Note G - 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, 2021 and 2020.

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.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note G - 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, 2021:

| | Assets at fair value as of May 31, 2021 | | | |
|--------------------------------------|---|-------------|---------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | \$ 360,242 | \$ - | \$ - | \$ 360,242 |
| Corporate stocks | 9,158,581 | - | - | 9,158,581 |
| Mutual funds | 1,976,249 | - | - | 1,976,249 |
| Limited partnerships carried at cost | - | - | 1,730,002 | 1,730,002 |
| | <u>\$ 11,495,072</u> | <u>\$ -</u> | <u>\$ 1,730,002</u> | <u>\$ 13,225,074</u> |

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> |

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, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|--|---------------------|---------------------|
| Balance, beginning of year | \$ 1,088,570 | \$ 1,151,208 |
| Realized and unrealized gains on investments | | |
| Net realized gains on investments (included in investment income) | 92,716 | 62,516 |
| Net change in unrealized appreciation (depreciation) relating to investments held at the reporting date | 467,423 | (136,689) |
| Purchases of investments | 250,000 | 231,194 |
| Sales of investments | (168,707) | (219,659) |
| | <u>\$ 1,730,002</u> | <u>\$ 1,088,570</u> |

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note G - Fair Value Measurements (Continued)

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 H - Endowment Fund

The Theatre's endowment consists of approximately four individual funds established for various purposes (see Note L). 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 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, this year's budgeted draw was calculated by employing a 4% rate of return to the average unrestricted endowment assets of the previous 9 quarters. In addition, draws from donor restricted funds are calculated using the method stipulated in the respective grant agreements.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note H - Endowment Fund (Continued)

Endowment net asset composition as of May 31, 2021 and 2020 is as follows:

| | May 31, 2021 | | | |
|------------------|-------------------------------|---|--|----------------------|
| | Without donor restrictions | With donor restrictions - time or purpose | With donor restrictions - perpetuity | Total |
| Donor restricted | \$ - | \$ 4,231,524 | \$ 6,227,452 | \$ 10,458,976 |
| Board designated | 2,308,883 | - | - | 2,308,883 |
| Total | \$ 2,308,883 | \$ 4,231,524 | \$ 6,227,452 | \$ 12,767,859 |

| | 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 |

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note H - Endowment Fund (Continued)

Changes in endowment net assets for the year ended May 31, 2021 is as follows:

| | May 31, 2021 | | | Total |
|--|-------------------------------|---|--|----------------------|
| | Without donor restrictions | With donor restrictions - time or purpose | With donor restrictions - perpetuity | |
| Endowment net assets, beginning of the year | \$ 1,183,621 | \$ 1,751,285 | \$ 6,036,817 | \$ 8,971,723 |
| Investment return | | | | |
| Investment income | 18,252 | 120,578 | - | 138,830 |
| Net appreciation | 518,250 | 3,248,121 | 188,162 | 3,954,533 |
| Total investment return | 536,502 | 3,368,699 | 188,162 | 4,093,363 |
| Contributions | - | - | 2,473 | 2,473 |
| Appropriated for expenditure | 588,760 | (888,460) | - | (299,700) |
| Endowment net assets, end of year | <u>\$ 2,308,883</u> | <u>\$ 4,231,524</u> | <u>\$ 6,227,452</u> | <u>\$ 12,767,859</u> |

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note H - 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 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> |

Note I - 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, 2021), which expires December 2021. The outstanding balance on this line of credit as of May 31, 2021 and 2020 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 (3.25% at May 31, 2021) with a floor of 3.25%, which expires November 2021. The outstanding balance on this line of credit as of May 31, 2021 and 2020 is \$0 and \$250,000, 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, 2021 is \$65,310 with an expiration date of July 2022.

Interest expense was \$18,387 and \$33,021 for the years ended May 31, 2021 and 2020, respectively.

Note J - Refundable Advance

In April 2020, the Theatre applied for and received approval for a PPP loan under the CARES Act in the amount of \$1,018,700. Under the provisions of the CARES Act, the Theatre was notified the loan was fully forgiven in March 2021 and the Theatre has been legally released by the U.S. Small Business Administration ("SBA") The PPP loan amount was recognized as other earned revenues on the statement of activities for the fiscal year ended May 31, 2021. In accordance with the related PPP loan guidelines, the SBA reserves the right to audit any PPP loan at any time during the loan process, including after the loan is partially or fully forgiven and the Theatre has been legally released.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note K - Net Assets without Donor Restrictions

Net assets without donor restrictions include amounts designated by the Board for endowment of \$2,308,883 and \$1,183,621 at May 31, 2021 and 2020.

Note L - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at May 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|---------------------|
| Subject to expenditure for specified purpose | | |
| Shakespeare plays | \$ 3,525,347 | \$ 1,485,929 |
| Professional training company | - | 564,475 |
| Humana festival and other new work | - | 750,000 |
| Programming/Education Programs | 23,300 | - |
| Actors artistic programming | 680,062 | 266,627 |
| New play development | - | 17,486 |
| Capital improvement | 9,007 | 9,007 |
| Building demand exploration grant | - | 77,860 |
| Racial equity workshops | 50,000 | - |
| Purpose to be determined | 26,115 | (1,271) |
| | <u>4,313,831</u> | <u>3,170,113</u> |
| Subject to the passage of time (future seasons) | <u>345,110</u> | <u>359,982</u> |
| Endowments to be maintained in perpetuity | | |
| Shakespeare plays | 3,958,750 | 3,770,588 |
| Theatrical productions | 1,350,000 | 1,350,000 |
| Actors artistic programming | 800,373 | 800,373 |
| Purpose to be determined | 118,329 | 115,856 |
| | <u>6,227,452</u> | <u>6,036,817</u> |
| Total net assets with donor restrictions | <u>\$ 10,886,393</u> | <u>\$ 9,566,912</u> |

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note L - 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 M - 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 \$7,634 and \$28,824 during the years ended May 31, 2021 and 2020 respectively, were recorded as contributions, and program and supporting services expenses or capitalized.

Note N - 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 \$354,047 and \$583,758 in 2021 and 2020, 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> |
|----------------------------|------------------|
| 2022 | <u>\$ 85,700</u> |

Rental income from the building leases was \$181,932 and \$197,114 in 2021 and 2020, 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, 2021 and 2020

Note O - 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, 2021 and 2020. Future minimum lease payments under this lease are as follows:

| <u>Year ending May 31,</u> | <u>Amount</u> |
|----------------------------|---------------------|
| 2022 | \$ 129,600 |
| 2023 | 129,600 |
| 2024 | 129,600 |
| 2025 | 129,600 |
| 2026 | 129,600 |
| Thereafter | <u>734,400</u> |
| | <u>\$ 1,382,400</u> |

This rent expense was offset by rental income under subleases of \$9,800 and \$1,795 in 2021 and 2020, respectively.

Note P - 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 \$2,131 in 2021 and \$79,182 in 2020 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, 2021, the Theatre has no plans to withdraw from the Plans.

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note P - Pension and Employee Benefit Plans (Continued)

The Theatre's participation in the Plans as of May 31, 2021 and for the years ended May 31, 2021 and 2020 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 2021 to 2020 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, 2020 | Green | August 31, 2020 | Red |
| | May 31, 2019 | Green | August 31, 2019 | Yellow |
| FIP/RP Status Pending/ Implemented | No | | Yes / Implemented | |
| Theatre Contributions | 2021 | \$ 2,131 | 2021 | \$ - |
| | 2020 | \$ 51,349 | 2020 | \$ 8,678 |
| Surcharge Imposed | No | | Yes | |
| 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, 2020 | Green | March 31, 2021 | Red |
| | December 31, 2019 | Green | March 31, 2020 | Red |
| FIP/RP Status Pending/ Implemented | No | | Yes / Implemented | |
| Theatre Contributions | 2021 | \$ - | 2021 | \$ - |
| | 2020 | \$ 12,775 | 2020 | \$ 6,380 |
| Surcharge Imposed | No | | No | |
| 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, 2021 and 2020

Note P - 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 \$16,800 and \$168,000 for 2021 and 2020, respectively. There have been no significant changes that affect the comparability of 2021 to 2020 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 \$21,628 and \$47,797 for 2021 and 2020, respectively.

Note Q - 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 \$18,000 and \$19,000 for the years ended May 31, 2021 and 2020, 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, 2021 and 2020. The long-term portion of the deferred compensation obligation is included in other liabilities and totals approximately \$129,700 and \$136,400 at May 31, 2021 and 2020, respectively.

Note R - 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 S - Fundraising Events

Gross revenues and direct event expenses related to fundraising events during the years ended May 31, 2021 and 2020 were as follows:

| | <u>2021</u> | <u>2020</u> |
|----------|------------------|-------------------|
| Revenues | \$ 96,424 | \$ 401,102 |
| Expenses | <u>(21,209)</u> | <u>(152,728)</u> |
| | <u>\$ 75,215</u> | <u>\$ 248,374</u> |

Actors Theatre of Louisville, Inc.
Notes to Financial Statements (Continued)
Years Ended May 31, 2021 and 2020

Note T - Concentrations

At May 31, 2021, the Theatre has three donors that represent 74% of the gross pledges receivable. At May 31, 2020, the Theatre had two donors that represent 84% of the gross pledges receivables.

Note U - Liquidity and Availability of Resources

The following details the Theatre's financial assets as of May 31, 2021 and 2020 available within one year for general expenditure:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------|-----------------------|
| Cash and cash equivalents | \$ 1,049,291 | \$ 1,127,577 |
| Pledges receivable, net | 303,927 | 1,498,842 |
| Other financial assets included in other current assets | 406,807 | 67,594 |
| Investments | <u>12,709,533</u> | <u>8,915,868</u> |
| Total financial assets | 14,469,558 | 11,609,881 |
| Less amounts not available to be used within one year | | |
| Receivables scheduled to be collected in more than one year | (27,327) | (542,997) |
| Donor endowment funds | (10,458,976) | (7,788,102) |
| Other donor restrictions | (400,090) | (1,235,813) |
| Amounts unavailable to management without Board's approval | | |
| Board designated endowment | <u>(2,308,883)</u> | <u>(1,183,621)</u> |
| | 1,274,282 | 859,348 |
| Add: endowment fund appropriations for following year, not subject to restriction | <u>66,700</u> | <u>100,668</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,340,982</u> | <u>\$ 960,016</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 \$1,000,000 and \$250,000 at May 31, 2021 and 2020, respectively (see Note I).

Note V - 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.