

**PENNSYLVANIA SHAKESPEARE FESTIVAL**

**Financial Statements  
and Independent Auditor's Report**

**September 30, 2020 and 2019**

**PENNSYLVANIA SHAKESPEARE FESTIVAL  
TABLE OF CONTENTS**

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|   | <b>Page(s)</b> |
|---|----------------|
| <b>Independent Auditor's Report</b>     | 1 - 2          |
| <br><u><i>Financial Statements:</i></u> |                |
| Statements of Financial Position        | 3              |
| Statements of Activities                | 4 - 5          |
| Statements of Functional Expenses       | 6 - 7          |
| Statements of Cash Flows                | 8              |
| Notes to Financial Statements           | 9 - 22         |

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Pennsylvania Shakespeare Festival  
Center Valley, PA

We have audited the accompanying financial statements of Pennsylvania Shakespeare Festival (a not-for-profit corporation), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania Shakespeare Festival as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Cory Bell, Rappold & Yucasita LLP*

March 3, 2021

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**STATEMENTS OF FINANCIAL POSITION**  
**As of September 30, 2020 and 2019**

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**ASSETS**

| <b>Current Assets</b>                         | <b>2020</b>         | <b>2019</b>         |
|---|---------------------|---------------------|
| Cash and Cash Equivalents                     | \$ 648,538          | \$ 549,508          |
| Accounts Receivable                           | 21,979              | 36,360              |
| Contributions Receivable (Note 3)             | 41,045              | 71,785              |
| Deferred Expenses                             | -                   | 3,660               |
| Deferred Expenses - Education                 | 29,363              | 69,495              |
| Due from DeSales University                   | -                   | 4,016               |
| Inventory                                     | 7,070               | 3,770               |
|   | <hr/>               | <hr/>               |
| Total Current Assets                          | 747,995             | 738,594             |
| <br><b>Investments and Other Assets</b>       |                     |                     |
| Contributions Receivable - Long-term (Note 3) | 76,163              | 100,486             |
| Property and Equipment, Net (Note 4)          | 95,515              | 83,760              |
| Investments - Long-term (Note 5)              | 5,921,602           | 5,589,933           |
|   | <hr/>               | <hr/>               |
| Total Assets                                  | <u>\$ 6,841,275</u> | <u>\$ 6,512,773</u> |

**LIABILITIES AND NET ASSETS**

|                                       |                     |                     |
|---------------------------------------|---------------------|---------------------|
| <b>Current Liabilities</b>            |                     |                     |
| Accounts Payable                      | \$ 1,230            | \$ 16,295           |
| Deferred Revenue                      | 47,708              | -                   |
| Deferred Revenue - Education          | 32,500              | 63,235              |
| Due to DeSales University             | 46,159              | -                   |
|                                       | <hr/>               | <hr/>               |
| Total Current Liabilities             | 127,597             | 79,530              |
|                                       | <hr/>               | <hr/>               |
| Total Liabilities                     | 127,597             | 79,530              |
|                                       | <hr/>               | <hr/>               |
| <br><b>Net Assets (Notes 2 and 8)</b> |                     |                     |
| Net Assets Without Donor Restrictions |                     |                     |
| Undesignated                          | 509,219             | 502,089             |
| Designated for Endowment              | 483,937             | 429,158             |
|                                       | <hr/>               | <hr/>               |
|                                       | 993,156             | 931,247             |
|                                       | <hr/>               | <hr/>               |
| Net Assets With Donor Restrictions    | 5,720,522           | 5,501,996           |
|                                       | <hr/>               | <hr/>               |
| Total Net Assets                      | 6,713,678           | 6,433,243           |
|                                       | <hr/>               | <hr/>               |
| Total Liabilities and Net Assets      | <u>\$ 6,841,275</u> | <u>\$ 6,512,773</u> |

See independent auditor's report and notes to financial statements.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2020**

|   | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>2020<br/>Total</b>      |
|---|---|--|----------------------------|
| <b>Revenues, Gains, and Other Support</b>             |   |  |                            |
| Contributions   | \$ 476,219                                | \$ 8,000                               | \$ 484,219                 |
| Contributions - Campaign                              | -   | 5,927                                  | 5,927                      |
| Government Grants                                     | 22,798                                    | -                                      | 22,798                     |
| Donated Facilities (Note 6)                           | 45,600                                    | -                                      | 45,600                     |
| Donated Services and Equipment                        | 21,170                                    | -                                      | 21,170                     |
| Donated Wages, Taxes and Benefits (Note 6)            | 311,729                                   | -                                      | 311,729                    |
| Ticket Sales  | -   | -                                      | -                          |
| Concessions   | 115                                       | -                                      | 115                        |
| Advertising   | -   | -                                      | -                          |
| Interest Income                                       | 276                                       | -                                      | 276                        |
| Gross Special Events Revenue                          | 99,668                                    | -                                      | 99,668                     |
| Less Cost of Direct Benefits to Donors                | <u>(14,376)</u>                           | <u>-</u>                               | <u>(14,376)</u>            |
| Net Special Events Revenue                            | 85,292                                    | -                                      | 85,292                     |
| Endowment Income                                      | 170,950                                   | 49,650                                 | 220,600                    |
| Education #19 Program Income                          | 126,800                                   | -                                      | 126,800                    |
| Net Assets Released from Restrictions - Education #19 | 32,200                                    | (32,200)                               | -                          |
| Net Assets Released from Restrictions                 | <u>63,760</u>                             | <u>(63,760)</u>                        | <u>-</u>                   |
| Total Operating Revenues                              | <u>1,356,909</u>                          | <u>(32,383)</u>                        | <u>1,324,526</u>           |
| <b>Expenses</b>                                       |   |  |                            |
| Program Services:                                     |   |  |                            |
| Festival  | 664,427                                   | -                                      | 664,427                    |
| Education   | 189,790                                   | -                                      | 189,790                    |
| Concessions   | 541                                       | -                                      | 541                        |
|   | <u>854,758</u>                            | <u>-</u>                               | <u>854,758</u>             |
| Supporting Services:                                  |   |  |                            |
| Management and General                                | 278,348                                   | -                                      | 278,348                    |
| Fund Raising  | 187,674                                   | -                                      | 187,674                    |
|   | <u>1,320,780</u>                          | <u>-</u>                               | <u>1,320,780</u>           |
| Total Operating Expenses                              | <u>1,320,780</u>                          | <u>-</u>                               | <u>1,320,780</u>           |
| Change in Net Assets from Operating Activities        | <u>36,129</u>                             | <u>(32,383)</u>                        | <u>3,746</u>               |
| <b>Nonoperating Activities</b>                        |   |  |                            |
| Contributions - Campaign                              | -   | 6,020                                  | 6,020                      |
| Endowment Earnings Greater Than                       |   |  |                            |
| Endowment Spending Policy                             | 4,189                                     | 36,757                                 | 40,946                     |
| Unrealized Gain on Investments                        | 21,591                                    | 208,132                                | 229,723                    |
|   | <u>25,780</u>                             | <u>250,909</u>                         | <u>276,689</u>             |
| Change in Net Assets from Nonoperating Activities     | <u>25,780</u>                             | <u>250,909</u>                         | <u>276,689</u>             |
| Total Change in Net Assets                            | 61,909                                    | 218,526                                | 280,435                    |
| <b>Net Assets at Beginning of Year</b>                | <u>931,247</u>                            | <u>5,501,996</u>                       | <u>6,433,243</u>           |
| <b>Net Assets at End of Year</b>                      | <u><u>\$ 993,156</u></u>                  | <u><u>\$ 5,720,522</u></u>             | <u><u>\$ 6,713,678</u></u> |

See independent auditor's report and notes to financial statements.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**STATEMENT OF ACTIVITIES**  
**Year Ended September 30, 2019**

|   | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>2019<br/>Total</b> |
|---|---|--|-----------------------|
| <b>Revenues, Gains, and Other Support</b>             |   |  |                       |
| Contributions   | \$ 363,661                                | \$ 28,750                              | \$ 392,411            |
| Contributions - Campaign                              | -   | 10,956                                 | 10,956                |
| Government Grants                                     | 23,048                                    | -                                      | 23,048                |
| Donated Facilities (Note 6)                           | 368,318                                   | -                                      | 368,318               |
| Donated Services and Equipment                        | 52,953                                    | -                                      | 52,953                |
| Donated Wages, Taxes and Benefits (Note 6)            | 315,862                                   | -                                      | 315,862               |
| Ticket Sales  | 1,022,763                                 | -                                      | 1,022,763             |
| Concessions   | 49,403                                    | -                                      | 49,403                |
| Advertising   | 29,793                                    | -                                      | 29,793                |
| Interest Income                                       | 481                                       | -                                      | 481                   |
| Gross Special Events Revenue                          | 235,439                                   | -                                      | 235,439               |
| Less Cost of Direct Benefits to Donors                | (93,796)                                  | -                                      | (93,796)              |
| Net Special Events Revenue                            | 141,643                                   | -                                      | 141,643               |
| Endowment Income                                      | 198,900                                   | 39,200                                 | 238,100               |
| Education #18 Program Income                          | 123,052                                   | -                                      | 123,052               |
| Net Assets Released from Restrictions - Education #18 | 40,000                                    | (40,000)                               | -                     |
| Net Assets Released from Restrictions                 | 74,614                                    | (74,614)                               | -                     |
| Total Operating Revenues                              | 2,804,491                                 | (35,708)                               | 2,768,783             |
| <b>Expenses</b>                                       |   |  |                       |
| Program Services:                                     |   |  |                       |
| Festival  | 2,016,613                                 | -                                      | 2,016,613             |
| Education   | 188,822                                   | -                                      | 188,822               |
| Concessions   | 34,398                                    | -                                      | 34,398                |
|   | 2,239,833                                 | -                                      | 2,239,833             |
| Supporting Services:                                  |   |  |                       |
| Management and General                                | 311,813                                   | -                                      | 311,813               |
| Fund Raising  | 208,547                                   | -                                      | 208,547               |
| Total Operating Expenses                              | 2,760,193                                 | -                                      | 2,760,193             |
| Change in Net Assets from Operating Activities        | 44,298                                    | (35,708)                               | 8,590                 |
| <b>Nonoperating Activities</b>                        |   |  |                       |
| Contributions - Campaign                              | -   | 7,802                                  | 7,802                 |
| Loss on Contribution Receivable Write-off             | -   | (11,900)                               | (11,900)              |
| Endowment Earnings Less Than                          |   |  |                       |
| Endowment Spending Policy                             | (1,180)                                   | (10,035)                               | (11,215)              |
| Unrealized Loss on Investments                        | (7,130)                                   | (127,124)                              | (134,254)             |
| Change in Net Assets from Nonoperating Activities     | (8,310)                                   | (141,257)                              | (149,567)             |
| Total Change in Net Assets                            | 35,988                                    | (176,965)                              | (140,977)             |
| <b>Net Assets at Beginning of Year</b>                | 895,259                                   | 5,678,961                              | 6,574,220             |
| <b>Net Assets at End of Year</b>                      | \$ 931,247                                | \$ 5,501,996                           | \$ 6,433,243          |

See independent auditor's report and notes to financial statements.

**PENNSYLVANIA SHAKESPEARE FESTIVAL  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended September 30, 2020**

|  | Program           |                   |               |                   | Management<br>and General | Fund<br>Raising   | 2020                |     |
|--|-------------------|-------------------|---------------|-------------------|---------------------------|-------------------|---------------------|-----|
|  | Festival          | Education         | Concessions   | Total             |                           |                   |                     |     |
| Wages and Subcontracts   | \$ 375,163        | \$ 110,502        | \$ -          | \$ 485,665        | \$ 108,638                | \$ 130,009        | \$ 724,312          | (1) |
| Health and Retirement Benefits   | 102,395           | 12,932            | -             | 115,327           | 32,130                    | 31,002            | 178,459             | (2) |
| Payroll Taxes  | 37,215            | 10,199            | -             | 47,414            | 8,820                     | 10,422            | 66,656              | (3) |
| <b>Total Salaries and Related Expenses</b>                             | <b>514,773</b>    | <b>133,633</b>    | <b>-</b>      | <b>648,406</b>    | <b>149,588</b>            | <b>171,433</b>    | <b>969,427</b>      |     |
| Professional Fees  | 9,908             | -                 | -             | 9,908             | 9,907                     | -                 | 19,815              | (4) |
| Supplies   | -                 | -                 | -             | -                 | 5,336                     | -                 | 5,336               |     |
| Cultivation  | -                 | -                 | -             | -                 | -                         | 5,162             | 5,162               |     |
| Telephone  | 521               | 1,222             | -             | 1,743             | 260                       | 261               | 2,264               |     |
| Postage and Shipping   | 76                | -                 | -             | 76                | 2,897                     | 550               | 3,523               |     |
| Occupancy  | -                 | -                 | -             | -                 | 45,600                    | -                 | 45,600              | (5) |
| Equipment Rental and Maintenance                                       | -                 | -                 | -             | -                 | 4,149                     | -                 | 4,149               |     |
| Printing and Publications  | 9,482             | -                 | -             | 9,482             | -                         | 10,018            | 19,500              |     |
| Travel   | 260               | 12,822            | -             | 13,082            | 954                       | 100               | 14,136              |     |
| Conferences, Conventions<br>and Meetings                               | -                 | -                 | -             | -                 | 6,006                     | -                 | 6,006               |     |
| Administration Professional<br>Development and Research                | -                 | -                 | -             | -                 | 5,887                     | -                 | 5,887               |     |
| Insurance  | -                 | 1,134             | -             | 1,134             | 10,204                    | -                 | 11,338              |     |
| Promotion and Advertising  | 70,284            | 2,663             | -             | 72,947            | -                         | -                 | 72,947              | (6) |
| Auditions  | 21,060            | 946               | -             | 22,006            | -                         | -                 | 22,006              |     |
| Production Costs   | 38,063            | 37,370            | -             | 75,433            | -                         | -                 | 75,433              |     |
| Refreshments and Dinners   | -                 | -                 | -             | -                 | -                         | -                 | -                   |     |
| Products   | -                 | -                 | 541           | 541               | -                         | -                 | 541                 |     |
| Special Events   | -                 | -                 | -             | -                 | -                         | 14,376            | 14,376              |     |
| Miscellaneous  | -                 | -                 | -             | -                 | 4,199                     | 150               | 4,349               |     |
| <b>Total Expenses Before Depreciation</b>                              | <b>664,427</b>    | <b>189,790</b>    | <b>541</b>    | <b>854,758</b>    | <b>244,987</b>            | <b>202,050</b>    | <b>1,301,795</b>    |     |
| Depreciation of Equipment  | -                 | -                 | -             | -                 | 33,361                    | -                 | 33,361              |     |
| <b>Total Expense by Function</b>                                       | <b>664,427</b>    | <b>189,790</b>    | <b>541</b>    | <b>854,758</b>    | <b>278,348</b>            | <b>202,050</b>    | <b>1,335,156</b>    |     |
| Less Expenses Included with Revenues<br>on the Statement of Activities | -                 | -                 | -             | -                 | -                         | -                 | -                   |     |
| Cost of Direct Benefits to Donors                                      | -                 | -                 | -             | -                 | -                         | (14,376)          | (14,376)            |     |
| <b>TOTAL EXPENSES</b>  | <b>\$ 664,427</b> | <b>\$ 189,790</b> | <b>\$ 541</b> | <b>\$ 854,758</b> | <b>\$ 278,348</b>         | <b>\$ 187,674</b> | <b>\$ 1,320,780</b> |     |

|   |                   |     |
|---|-------------------|-----|
| The following amounts are the value of in-kind gifts to the Organization, which are included in the above expenses: | \$ 244,231        | (1) |
|   | 48,088            | (2) |
|   | 19,410            | (3) |
|   | 6,795             | (4) |
|   | 45,600            | (5) |
|   | 14,375            | (6) |
|   | <u>\$ 378,499</u> |     |

See independent auditor's report and notes to financial statements.



**PENNSYLVANIA SHAKESPEARE FESTIVAL  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended September 30, 2019**

|  | Program             |                   |                  |                     | Management<br>and General | Fund<br>Raising   | 2019                |     |
|--|---------------------|-------------------|------------------|---------------------|---------------------------|-------------------|---------------------|-----|
|  | Festival            | Education         | Concessions      | Total               |                           |                   |                     |     |
| Wages and Subcontracts   | \$ 895,453          | \$ 108,955        | \$ -             | \$ 1,004,408        | \$ 123,851                | \$ 143,526        | \$ 1,271,785        | (1) |
| Health and Retirement Benefits   | 176,715             | 11,807            | -                | 188,522             | 30,581                    | 33,136            | 252,239             | (2) |
| Payroll Taxes  | 66,439              | 10,918            | -                | 77,357              | 8,894                     | 10,762            | 97,013              | (3) |
| <b>Total Salaries and Related Expenses</b>                             | <b>1,138,607</b>    | <b>131,680</b>    | <b>-</b>         | <b>1,270,287</b>    | <b>163,326</b>            | <b>187,424</b>    | <b>1,621,037</b>    |     |
| Professional Fees  | 9,045               | -                 | -                | 9,045               | 9,045                     | -                 | 18,090              | (4) |
| Supplies   | -                   | -                 | -                | -                   | 10,017                    | 390               | 10,407              |     |
| Cultivation  | -                   | -                 | -                | -                   | -                         | 9,826             | 9,826               |     |
| Telephone  | 1,528               | 1,997             | -                | 3,525               | 764                       | 764               | 5,053               |     |
| Postage and Shipping   | 8,185               | -                 | -                | 8,185               | 4,693                     | 1,561             | 14,439              |     |
| Occupancy  | 80,000              | -                 | -                | 80,000              | 44,400                    | -                 | 124,400             | (5) |
| Equipment Rental and Maintenance                                       | -                   | -                 | -                | -                   | 4,484                     | -                 | 4,484               |     |
| Printing and Publications  | 45,896              | -                 | -                | 45,896              | -                         | 8,157             | 54,053              |     |
| Travel   | 24,938              | 7,118             | -                | 32,056              | 2,237                     | 360               | 34,653              |     |
| Conferences, Conventions<br>and Meetings                               | -                   | -                 | -                | -                   | 20,778                    | -                 | 20,778              |     |
| Administration Professional<br>Development and Research                | -                   | -                 | -                | -                   | 2,606                     | -                 | 2,606               |     |
| Insurance  | -                   | 650               | -                | 650                 | 8,630                     | -                 | 9,280               |     |
| Promotion and Advertising  | 155,055             | 5,333             | -                | 160,388             | -                         | 65                | 160,453             | (6) |
| Auditions  | 23,805              | 879               | -                | 24,684              | -                         | -                 | 24,684              |     |
| Production Costs   | 529,554             | 41,165            | -                | 570,719             | -                         | -                 | 570,719             | (7) |
| Refreshments and Dinners   | -                   | -                 | 25,026           | 25,026              | -                         | -                 | 25,026              |     |
| Products   | -                   | -                 | 9,372            | 9,372               | -                         | -                 | 9,372               |     |
| Special Events   | -                   | -                 | -                | -                   | -                         | 93,796            | 93,796              |     |
| Miscellaneous  | -                   | -                 | -                | -                   | 10,608                    | -                 | 10,608              |     |
| <b>Total Expenses Before Depreciation</b>                              | <b>2,016,613</b>    | <b>188,822</b>    | <b>34,398</b>    | <b>2,239,833</b>    | <b>281,588</b>            | <b>302,343</b>    | <b>2,823,764</b>    |     |
| Depreciation of Equipment  | -                   | -                 | -                | -                   | 30,225                    | -                 | 30,225              |     |
| <b>Total Expense by Function</b>                                       | <b>2,016,613</b>    | <b>188,822</b>    | <b>34,398</b>    | <b>2,239,833</b>    | <b>311,813</b>            | <b>302,343</b>    | <b>2,853,989</b>    |     |
| Less Expenses Included with Revenues<br>on the Statement of Activities | -                   | -                 | -                | -                   | -                         | (93,796)          | (93,796)            |     |
| Cost of Direct Benefits to Donors                                      | -                   | -                 | -                | -                   | -                         | -                 | -                   |     |
| <b>TOTAL EXPENSES</b>  | <b>\$ 2,016,613</b> | <b>\$ 188,822</b> | <b>\$ 34,398</b> | <b>\$ 2,239,833</b> | <b>\$ 311,813</b>         | <b>\$ 208,547</b> | <b>\$ 2,760,193</b> |     |

The following amounts are the value of in-kind gifts to the Organization, which are included in the above expenses:

|                   |     |
|-------------------|-----|
| \$ 243,387        | (1) |
| 53,272            | (2) |
| 19,203            | (3) |
| 6,000             | (4) |
| 124,400           | (5) |
| 46,953            | (6) |
| <u>243,918</u>    | (7) |
| <u>\$ 737,133</u> |     |

See independent auditor's report and notes to financial statements.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended September 30, 2020 and 2019**

|  | <u>2020</u>              | <u>2019</u>              |
|--|--------------------------|--------------------------|
| <b>Cash Flows from Operating Activities</b>  |                          |                          |
| Change in Net Assets   | \$ 280,435               | \$ (140,977)             |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Used by Operating Activities: |                          |                          |
| Depreciation   | 33,361                   | 30,225                   |
| Contributions Restricted for Permanent Endowment and Capital Campaign                      | (61,000)                 | (68,500)                 |
| Realized and Unrealized (Gain) Loss on Investments   | (383,179)                | 13,989                   |
| (Increase) Decrease in Assets:   |                          |                          |
| Accounts Receivable  | 14,381                   | (15,500)                 |
| Contributions Receivable   | 55,063                   | 98,256                   |
| Deferred Expenses  | 3,660                    | (3,660)                  |
| Deferred Expenses - Education  | 40,132                   | 1,261                    |
| Due from DeSales University  | 4,016                    | 55,115                   |
| Inventory  | (3,300)                  | (993)                    |
| Increase (Decrease) in Liabilities:  |                          |                          |
| Accounts Payable   | (15,065)                 | (2,454)                  |
| Deferred Revenue   | 47,708                   | -                        |
| Deferred Revenue - Education   | (30,735)                 | (5,007)                  |
| Due to DeSales University  | 46,159                   | -                        |
| Total Adjustments  | <u>(248,799)</u>         | <u>102,732</u>           |
| Net Cash Provided (Used) by Operating Activities   | <u>31,636</u>            | <u>(38,245)</u>          |
| <b>Cash Flows from Investing Activities</b>  |                          |                          |
| Purchase of Property and Equipment   | (45,116)                 | (10,641)                 |
| Sale (Purchase) of Investments, Net  | <u>51,510</u>            | <u>62,981</u>            |
| Net Cash Provided by Investing Activities  | <u>6,394</u>             | <u>52,340</u>            |
| <b>Cash Flows from Financing Activities</b>  |                          |                          |
| Contributions Restricted for Permanent Endowment and Capital Campaign                      | <u>61,000</u>            | <u>68,500</u>            |
| Net Cash Provided by Financing Activities  | <u>61,000</u>            | <u>68,500</u>            |
| Net Increase in Cash and Cash Equivalents  | 99,030                   | 82,595                   |
| <b>Cash and Cash Equivalents at Beginning of Year</b>                                      | <u>549,508</u>           | <u>466,913</u>           |
| <b>Cash and Cash Equivalents at End of Year</b>  | <u><u>\$ 648,538</u></u> | <u><u>\$ 549,508</u></u> |
| <b>Supplemental Cash Flows Information</b>   |                          |                          |
| In-kind Contributions - Special Events   | <u>\$ -</u>              | <u>\$ 28,512</u>         |
| In-kind Contributions - Facilities, Services, and Supplies                                 | <u>\$ 378,499</u>        | <u>\$ 737,133</u>        |

See independent auditor's report and notes to financial statements.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

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**1. Nature of Activities**

The Official Shakespeare Festival of the Commonwealth of Pennsylvania, the Organization's mission is to enrich, inspire, engage, and entertain the widest possible audience through first-rate professional productions of classical and contemporary plays, with a core commitment to the works of Shakespeare and other master dramatists, and through an array of educational outreach and mentorship programs. A not-for-profit, professional regional theatre, the Organization has entertained over 998,700 patrons from 50 states since 1992.

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Organization is a wholly owned subsidiary of DeSales University (the "University"), a Pennsylvania Non-Profit Corporation.

**2. Summary of Significant Accounting Policies**

The significant accounting policies followed by the Organization are set forth below.

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting with the principles of not-for-profit accounting generally accepted in the United States of America. The financial statements reflect all significant receivables, payables, and other liabilities.

*Basis of Presentation*

Net assets and revenues, gains, expenses, and losses are classified as without donor restrictions or with donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations. Net assets may be designated for specific purposes by action of the Board of Directors.

*Net Assets With Donor Restrictions* - Net assets that are subject to donor-imposed stipulations that will be satisfied by actions of the Organization and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

*Non-Operating Activities*

Non-operating activities primarily reflect transactions of a long-term investment or capital nature, including contributions restricted for future acquisitions of facilities and equipment and net realized and unrealized gains and losses on investments in excess of, or less than, the Organization's spending policy.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

---

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

*Fair Value Measurements*

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value for certain financial assets and liabilities. The three levels of the fair value hierarchy are as follows:

|         |   |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.   |
| Level 2 | Quoted prices in markets that are not active, quoted prices for similar securities, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability. |
| Level 3 | Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).                            |

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

See Note 5 for the fair value measurements by level within the fair value hierarchy.

*Cash Equivalents*

Cash equivalents include short-term, highly liquid investments with a maturity of three months or less. Cash and cash equivalents representing assets of endowment funds are included in long-term investments. The carrying amount approximates fair value because of the short-term maturity of these instruments, which is considered a Level 1 input.

*Accounts Receivable*

Accounts receivable are stated at outstanding balance less an allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based primarily on past experience, aging of the receivables, and other relevant factors, and is maintained at a level considered adequate to provide for losses that can be reasonably anticipated.

Accounts are written off when they are determined to be uncollectible based upon management's assessment of the individual accounts.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

---

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

*Contributions*

Contributions received, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. The carrying amount of contributions receivable to be received in less than one year approximates fair value because of the short-term maturity of those instruments, which are considered Level 1 inputs. Unconditional promises to give over more than one year are recognized at the estimated present value of the future cash flows. The discount on those amounts are computed using the expected rate of return of a market participant applicable to the year in which the promise is received, which are considered Level 3 inputs.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Conditional promises are recorded when donor stipulations are substantially met.

Donated facilities and services are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. Contributed services are recorded if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

*Inventories*

Inventories, which consist primarily of show souvenirs, are stated at the lower of cost or market.

*Investments*

Investments in marketable securities are stated at fair value. The average cost of marketable securities is used to determine the basis for computing realized and unrealized gains.

Endowment and other gifts are placed with the University, as agent, and pooled for investment as more fully described in Note 5.

*Property and Equipment*

Property and equipment are stated at cost if purchased or at fair value at date of donation if received by gift, less an allowance for depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 7 years. All assets with a purchased cost, or fair value, if acquired by gift, in excess of \$500 are capitalized.

Repairs and maintenance activities that do not extend the useful lives of the respective assets are expensed.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

---

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

*Deferred Revenues and Expenses*

Deferred revenue of \$47,708, for the year ended September 30, 2020, includes gift certificates, advertising, and sponsorship revenues deferred to the next fiscal year due to the closure of operations because of the COVID-19 outbreak (see Note 2 *Coronavirus Disease*).

Revenue and expense related to annual WillPower Education Programs, which generally run through November of each year, are deferred to the fiscal year in which the season concludes.

Deferred revenues and expenses are included in the net asset without donor restriction class in the accompanying Statement of Financial Position.

*Promotion and Advertising Expenses*

Promotion and advertising costs are expensed when incurred. Total promotion and advertising expense during the years ended September 30, 2020 and 2019 was \$72,947 and \$160,453, respectively, and are included in the operating expenses in the Statement of Activities.

*Allocation of Expenses by Functional and Natural Classification*

As reported in the Statement of Functional Expenses, expenses of the Organization have been allocated to the following function reporting classifications:

Program Services  
Fund Raising  
Management and General

The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting services are based on estimates of time and effort by key personnel among functions, and other objective bases.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates relate to the depreciation expense and useful lives of assets, the allowance for uncollectible contributions receivable, the fair value of alternative investments, and the estimated value of donated facilities and services.

*Concentrations of Credit Risk*

The Organization maintains its cash accounts at several commercial and savings banks. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for all depository accounts. The amount in excess of insured limits at September 30, 2020 was approximately \$400,121.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

---

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

*Risks and Uncertainties*

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 the value of investments in the near term would materially affect the amounts reported in the Statement of Financial Position and the Statement of Activities.

*Income Taxes*

The Internal Revenue Service ("IRS") has ruled that the Organization is tax-exempt as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes is required in the accompanying financial statements.

The Organization accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management has concluded that there are no material unrecognized tax benefits or accrued interest or penalties that would require recognition in the financial statements as of September 30, 2020 and 2019.

The Organization files its Form 990, *Return of Organization Exempt from Tax*, with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania.

*Endowment Net Assets*

The Organization's endowment gifts are placed with DeSales University, as agent, and pooled for investment with their endowment and similar funds. The Organization's endowment consists of both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, 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.

*Interpretation of Relevant Law:* The Organization owns a proportionate share of the pooled investments and shares in a proportionate amount of the investment earnings, gains, and losses. Therefore, the Organization follows the endowment and investment policy of the University. The University has interpreted the relevant state law 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. As a result of this interpretation, the Organization classifies as net assets with donor restrictions 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, including investment return on those amounts.

**PENNSYLVANIA SHAKESPEARE FESTIVAL  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2020 and 2019**

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

*Endowment Net Assets (Continued)*

*Funds with Deficiencies:* The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Organization to retain as a fund of perpetual duration. The Organization does not have a policy to suspend distributions on such endowments. The fair value of the board-designated endowment fund assets did not fall below the donor's original contribution in 2020 or 2019.

*Investment Return Objectives and Risk Parameters:* The Organization has adopted investment and spending policies for endowment assets, equivalent to those used by the University, that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of a blended index while assuming a moderate to moderately aggressive level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately the consumer price index plus five percent annually. Actual returns in any given year may vary from this amount.

*Strategies for Achieving Objectives:* The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment policy targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*Endowment Spending Policy:* The Organization follows an endowment investment return spending policy equivalent to that used by the University. The policy allows spending of the earnings of up to 5% of the lower of cost or market value of the respective endowment at the beginning of the fiscal year. Any income earned in excess of the spending limit is reinvested, while funds may be withdrawn from investment returns earned in previous years if income is less than the spending limit.

*Reclassification*

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net assets.



**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

---

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

*Coronavirus Disease (COVID-19)*

In January 2020, an outbreak of a new strain of the coronavirus disease, COVID-19, was identified. The World Health Organization declared COVID-19 a public health emergency on March 11, 2020. In response, various governmental agencies have mandated stricter procedures to address the health and safety of both employees and patrons including, in certain cases, requiring the closure of operations. On March 16, 2020, following guidance from Pennsylvania Governor Wolf, staff was transitioned to remote operations. For fiscal year ended September 30, 2020, the COVID-19 outbreak has had an adverse impact on the Organization's operations. While this disruption is anticipated to be temporary, with full operations and services resuming in the near future, the exact timing of a return to normal is uncertain. Furthermore, the extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on the developments of COVID-19, including the duration and spread of the outbreak, development and distribution of a vaccine, impact on patrons, vendors, and employees, all of which are uncertain and cannot be reasonably predicted at the current time. Management and the Board of Directors are monitoring the outbreak and potential financial impact, which are currently uncertain.

*Subsequent Events*

Management has evaluated subsequent events through March 3, 2021, the date on which the financial statements were available to be issued.

*New Accounting Standard Not Yet Adopted*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 (Topic 606): *Revenue from Contracts with Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU 2014-09 is effective for the Organization on October 1, 2020. Management is assessing the impact this new standard will have on its financial statements.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

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**3. Contributions Receivable**

Unconditional promises to give have been recorded in the financial statements as contributions receivable and revenue of the appropriate net asset category.

Unconditional promises to give at September 30 are expected to be realized in the following periods:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| In One Year or Less   | \$ 48,445         | \$ 84,435         |
| Between One and Five Years  | 93,540            | 124,560           |
| Greater than Five Years   | -                 | -                 |
| Gross Contributions Receivable  | <u>141,985</u>    | <u>208,995</u>    |
| Less: Unamortized Discount (discount rate of 1.5%)<br>and Allowance for Uncollectible Amounts | <u>(24,777)</u>   | <u>(36,724)</u>   |
| Total Net Contributions Receivable  | <u>\$ 117,208</u> | <u>\$ 172,271</u> |

Presented in the accompanying Statements of Financial Position as:

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Contributions Receivable - Current   | \$ 41,045         | \$ 71,785         |
| Contributions Receivable - Long-term | <u>76,013</u>     | <u>100,486</u>    |
|                                      | <u>\$ 117,058</u> | <u>\$ 172,271</u> |

**4. Property and Equipment**

|                                   | <u>2020</u>      | <u>2019</u>      |
|-----------------------------------|------------------|------------------|
| Furniture and Equipment           | \$ 53,441        | \$ 36,435        |
| Technology Equipment              | 200,605          | 182,762          |
| Vehicles                          | <u>28,773</u>    | <u>28,773</u>    |
|                                   | 282,819          | 247,970          |
| Less: Accumulated Depreciation    | <u>(187,304)</u> | <u>(164,210)</u> |
| Total Property and Equipment, Net | <u>\$ 95,515</u> | <u>\$ 83,760</u> |

Depreciation charged to expense was \$33,361 and \$30,225 for the years ended September 30, 2020 and 2019, respectively.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

**5. Investments - Long Term**

Endowment gifts are placed with DeSales University, as agent, and pooled for investment with their endowment and similar funds. The Organization owns a proportionate share of the pooled investments and shares in a proportionate amount of the investment earnings, gains and losses.

The following table summarizes the carrying value (equal to fair value) and cost of the Organization's proportionate share of investments at September 30.

|                             | <b>2020</b>         |                     | <b>2019</b>         |                     |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
|                             | <b>Fair Value</b>   | <b>Cost</b>         | <b>Fair Value</b>   | <b>Cost</b>         |
| Cash and Cash Equivalents   | \$ 89,648           | \$ 89,648           | \$ 146,592          | \$ 146,592          |
| U.S. Government Obligations | 106,331             | 101,094             | 206,809             | 200,069             |
| Corporate Bonds             | 460,495             | 449,916             | 426,763             | 418,597             |
| Equity Securities           | 4,007,440           | 3,208,693           | 3,594,614           | 2,999,418           |
| Asset Backed Securities     | 104,625             | 103,309             | 98,102              | 96,628              |
| Mutual Funds                | 189,409             | 186,771             | 153,309             | 150,735             |
| Land                        | 185,586             | 391,651             | 189,437             | 399,778             |
| Alternative Investments     | 778,068             | 591,714             | 774,307             | 609,033             |
| Total Investments           | <u>\$ 5,921,602</u> | <u>\$ 5,122,796</u> | <u>\$ 5,589,933</u> | <u>\$ 5,020,850</u> |

The components of total investment return are reflected below. Investment return for the years ended September 30, 2020 and 2019 is net of investment management and custodian expenses of approximately \$26,700 and \$27,600, respectively.

|   | <b>2020</b>       | <b>2019</b>      |
|---|-------------------|------------------|
| Investment Earnings                     | \$ 108,090        | \$ 106,620       |
| Net Realized and Unrealized Gain (Loss) | <u>383,179</u>    | <u>(13,989)</u>  |
| Total Investment Return                 | <u>\$ 491,269</u> | <u>\$ 92,631</u> |

Investment return, as reflected in the Statement of Activities, consists of the following components:

|   | <b>2020</b>       | <b>2019</b>      |
|---|-------------------|------------------|
| Operating:  |                   |                  |
| Endowment Spending Distribution                                     | \$ 170,950        | \$ 198,900       |
| Endowment Spending Distribution - Education                         | <u>49,650</u>     | <u>39,200</u>    |
|   | <u>220,600</u>    | <u>238,100</u>   |
| Non Operating:  |                   |                  |
| Endowment Earnings Greater (Less)<br>than Endowment Spending Policy | 40,946            | (11,215)         |
| Unrealized Net Gain (Loss) on Investments                           | <u>229,723</u>    | <u>(134,254)</u> |
|   | <u>270,669</u>    | <u>(145,469)</u> |
| Total Investment Return   | <u>\$ 491,269</u> | <u>\$ 92,631</u> |

The spending distribution was 4-5% of the respective endowment in 2020 and 2019.

Unrealized net gain (loss) is reported as unrealized net gain (loss) on investments and realized net gains are reported as endowment earnings greater (less) than endowment spending policy, both in non-operating activities of the Statement of Activities.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

---

**5. Investments - Long Term (Continued)**

The following valuation techniques were used to measure the fair value of investments as of September 30, 2020 and 2019:

*Money market funds, U.S. government obligations, income and growth mutual funds and marketable equity securities:* Fair value for these investments was based on quoted market prices for the identical security.

*Mortgage and other asset backed securities:* Interest rates and credit risks of similar securities are used to determine the fair value of these instruments.

*Land:* An independent appraisal based on quoted prices for similar land and other observable inputs was used to determine the fair market value.

*Alternative investments:* Fair value was based on estimated fair values using the net asset value ("NAV") per share of the investments as provided by investment managers, adjusted to reflect significant events between measurement dates if the NAV measurement date was not September 30. Certain attributes that impact the security's fair value may not be reflected in NAV, including but not limited to, the investor's ability to redeem the investment at the measurement date and any unfunded purchase commitments. If the University sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date due to the nature of the investments, changes in market conditions and the overall economic environment.

Alternative investments are funds and partnerships that invest in a variety of strategies including hedge funds, managed futures, and private equity funds. These are generally illiquid investments pooled and professionally managed with the goal of generating higher returns. The investment strategies as of September 30, 2020 are as follows:

|                      | <u>Fair Value</u> | <u>Unfunded<br/>Commitments</u> | <u>Redemption<br/>Frequency</u> | <u>Redemption<br/>Notice Period</u> |
|----------------------|-------------------|---------------------------------|---------------------------------|-------------------------------------|
| Hedge Funds          | \$ 641,519        | \$ -                            | Various                         | 90-95 days                          |
| Managed Futures      | 125,804           | -                               | Monthly                         | 3 days                              |
| Private Equity Funds | <u>10,745</u>     | <u>248,477</u>                  | Liquid                          |                                     |
|                      | <u>\$ 778,068</u> | <u>\$ 248,477</u>               |                                 |                                     |

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 Organization 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.

There were no significant transfers among Level 1, 2, and 3 during the years ended September 30, 2020 or 2019. Transfers are recognized at the end of the reporting period.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

**5. Investments - Long Term (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's proportionate share of University held assets measured at fair value as of September 30:

| <u>2020</u>   | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>        |
|---|------------------|----------------|----------------|---------------------|
| Money Market Funds                                    | \$ 89,648        | \$ -           | \$ -           | \$ 89,648           |
| U.S. Government Obligations                           | 106,331          | -              | -              | 106,331             |
| U.S. Large-Cap Equities                               | 2,125,376        | -              | -              | 2,125,376           |
| U.S. Mid-Cap Equities                                 | 157,443          | -              | -              | 157,443             |
| U.S. Small-Cap Equities                               | 180,956          | -              | -              | 180,956             |
| International Equities - Emerging                     | 365,712          | -              | -              | 365,712             |
| International Equities - Developed                    | 1,177,953        | -              | -              | 1,177,953           |
| Mutual Funds - Fixed Income                           | 189,409          | -              | -              | 189,409             |
| Corporate Bonds                                       | -                | 460,495        | -              | 460,495             |
| Mortgage and Asset Backed Securities                  | -                | 104,625        | -              | 104,625             |
| Land  | -                | 185,586        | -              | 185,586             |
| Total Investments by Valuation Hierarchy              | <u>4,392,828</u> | <u>750,706</u> | <u>-</u>       | 5,143,534           |
| Alternative Investments (measured at net asset value) |                  |                |                | <u>778,068</u>      |
| Total Investments                                     |                  |                |                | <u>\$ 5,921,602</u> |
| <u>2019</u>   | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>        |
| Money Market Funds                                    | \$ 146,592       | \$ -           | \$ -           | \$ 146,592          |
| U.S. Government Obligations                           | 206,809          | -              | -              | 206,809             |
| U.S. Large-Cap Equities                               | 1,853,675        | -              | -              | 1,853,675           |
| U.S. Mid-Cap Equities                                 | 169,318          | -              | -              | 169,318             |
| U.S. Small-Cap Equities                               | 140,105          | -              | -              | 140,105             |
| International Equities - Emerging                     | 406,850          | -              | -              | 406,850             |
| International Equities - Developed                    | 1,024,666        | -              | -              | 1,024,666           |
| Mutual Funds - Fixed Income                           | 153,309          | -              | -              | 153,309             |
| Corporate Bonds                                       | -                | 426,763        | -              | 426,763             |
| Mortgage and Asset Backed Securities                  | -                | 98,102         | -              | 98,102              |
| Land  | -                | 189,437        | -              | 189,437             |
| Total Investments by Valuation Hierarchy              | <u>4,101,324</u> | <u>714,302</u> | <u>-</u>       | 4,815,626           |
| Alternative Investments (measured at net asset value) |                  |                |                | <u>774,307</u>      |
| Total Investments                                     |                  |                |                | <u>\$ 5,589,933</u> |

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

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**6. Related Parties**

The Organization is a wholly owned subsidiary of DeSales University. The estimated value of the in-kind gifts from the University for the years ended September 30 are as follows:

|                                | <u>2020</u>       | <u>2019</u>       |
|--------------------------------|-------------------|-------------------|
| Donated Facilities:            |                   |                   |
| Theater Facilities             | \$ -              | \$ 80,000         |
| Office Facilities              | 45,600            | 44,400            |
| Artist Housing                 | -                 | 243,918           |
|                                | <u>45,600</u>     | <u>368,318</u>    |
| Personnel and Related Benefits | <u>311,729</u>    | <u>315,862</u>    |
|                                | <u>\$ 357,329</u> | <u>\$ 684,180</u> |

The University also contributed cash of \$5,000 and \$10,000, respectively, in 2020 and 2019.

**7. Liquidity and Availability**

The following table reflects the Festival's financial assets as of September 30, that are available to meet general expenditures within one year of the Statement of Financial Position date:

|                           | <u>2020</u>       | <u>2019</u>       |
|---------------------------|-------------------|-------------------|
| Cash and Cash Equivalents | \$ 648,538        | \$ 549,508        |
| Accounts Receivable       | 21,979            | 36,360            |
| Contributions Receivable  | <u>41,045</u>     | <u>71,785</u>     |
|                           | <u>\$ 711,562</u> | <u>\$ 657,653</u> |

In addition to financial assets available to meet general expenditures over the next 12 months, the Festival receives significant contributions with and without donor restrictions. Contributions and earnings thereon that are restricted for programs which are ongoing, major, and central to its annual operations are considered available to meet cash needs for general expenditures. In addition, the Festival strives to operate with a balanced budget and anticipates collecting sufficient revenue, principally through event ticket sales, concessions, and special events, to cover general expenditures not covered by donor contributions and available endowment earnings.

The Organization's endowment funds consist of both donor-restricted endowments and board-designated endowments. The spending policy of the endowment funds is based on a rate of up to 5% of the lower of cost or market, which will yield approximately \$255,000 of appropriations for spending for the year ended September 30, 2021.

The board-designated endowment of \$483,937 is subject to an annual spending rate of up to 5%. Although the Festival does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available to be drawn upon if the need arises for liquidity purposes through board resolution.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

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**8. Net Assets**

Net assets without donor restrictions consist of the following:

|  | <u>2020</u>       | <u>2019</u>       |
|--|-------------------|-------------------|
| <u>Without Donor Restrictions:</u>         |                   |                   |
| Board Designated Endowment                 | \$ 483,937        | \$ 429,158        |
| Undesignated                               | <u>509,219</u>    | <u>502,089</u>    |
| Total Net Assets Without Donor Restriction | <u>\$ 993,156</u> | <u>\$ 931,247</u> |

Net assets with donor restrictions are available for the following purposes or periods:

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| <u>Purpose or Time Restricted:</u>                           |                     |                     |
| Education Program, Season #20                                | \$ 49,650           | \$ -                |
| Education Program, Season #19                                | 7,000               | 39,200              |
| Education Program, Season #18                                | 10,000              | 10,000              |
| "Campaign for Pennsylvania Shakespeare Festival"             | 45,482              | 74,564              |
| Future Festival Sponsorships and Activities                  | 99,000              | 119,750             |
| Future Operations:   |                     |                     |
| General Festival Operations                                  | 365,146             | 222,605             |
| "WillPower" Education Program                                | 144,879             | 98,055              |
| PSF Interns/Apprentices                                      | 68,347              | 42,043              |
| Other Programs   | <u>73,907</u>       | <u>44,688</u>       |
| Total Net Assets With Purpose or Time Restrictions           | <u>\$ 863,411</u>   | <u>\$ 650,905</u>   |
| <u>Restricted in Perpetuity:</u>                             |                     |                     |
| "Campaign for Pennsylvania Shakespeare Festival" - Endowment | \$ 71,726           | \$ 97,706           |
| General Festival Operations                                  | 1,474,738           | 1,474,738           |
| General Festival Operations - Campaign                       | 1,251,749           | 1,244,749           |
| "WillPower" Education Program                                | 948,179             | 948,179             |
| "WillPower" Education Program - Campaign                     | 101,800             | 96,800              |
| PSF Interns/Apprentices                                      | 435,366             | 435,366             |
| PSF Interns/Apprentices - Campaign                           | 65,000              | 65,000              |
| Other Programs   | 76,300              | 76,300              |
| Other Programs - Campaign                                    | <u>432,253</u>      | <u>412,253</u>      |
| Total Net Assets Restricted in Perpetuity                    | <u>\$ 4,857,111</u> | <u>\$ 4,851,091</u> |
| Total Net Assets With Donor Restrictions:                    | <u>\$ 5,720,522</u> | <u>\$ 5,501,996</u> |

Net assets with donor restrictions released from purpose or time restrictions in the years ended September 30, 2020 and 2019 were \$94,960 and \$114,614, respectively.

Net assets with donor restrictions that are restricted in perpetuity consist of endowment fund assets (contributions receivable and investments) to be held indefinitely. The income from the assets can be used to support the above noted activities run by the Organization.

**PENNSYLVANIA SHAKESPEARE FESTIVAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

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**8. Net Assets (Continued)**

Endowment net asset composition by type of fund, based on existence or absence of donor-imposed restrictions, as well as board designations, as of September 30 are as follows:

| <u><b>2020</b></u>               | Without Donor<br>Restrictions | With Donor Restrictions |                     | Total Net<br>Endowment<br>Assets |
|----------------------------------|-------------------------------|-------------------------|---------------------|----------------------------------|
|                                  |                               | Purpose                 | Perpetuity          |                                  |
| Donor-Restricted Endowment Funds | \$ -                          | \$ 66,650               | \$ 4,857,111        | \$ 4,923,761                     |
| Board-Designated Endowment Funds | 483,937                       | -                       | -                   | 483,937                          |
| Total Funds                      | <u>\$ 483,937</u>             | <u>\$ 66,650</u>        | <u>\$ 4,857,111</u> | <u>\$ 5,407,698</u>              |

  

| <u><b>2019</b></u>               | Without Donor<br>Restrictions | With Donor Restrictions |                     | Total Net<br>Endowment<br>Assets |
|----------------------------------|-------------------------------|-------------------------|---------------------|----------------------------------|
|                                  |                               | Purpose                 | Perpetuity          |                                  |
| Donor-Restricted Endowment Funds | \$ -                          | \$ 49,200               | \$ 4,851,091        | \$ 4,900,291                     |
| Board-Designated Endowment Funds | 429,158                       | -                       | -                   | 429,158                          |
| Total Funds                      | <u>\$ 429,158</u>             | <u>\$ 49,200</u>        | <u>\$ 4,851,091</u> | <u>\$ 5,329,449</u>              |

Changes in endowment net assets for the years ending September 30 are as follows:

| <u><b>2020</b></u>                      | Without Donor<br>Restrictions | With Donor Restrictions |                     | Total Net<br>Endowment<br>Assets |
|---|-------------------------------|-------------------------|---------------------|----------------------------------|
|   |                               | Purpose                 | Perpetuity          |                                  |
| Endowment Net Assets, Beginning of Year | \$ 429,158                    | \$ 49,200               | \$ 4,851,091        | \$ 5,329,449                     |
| Contributions                           | 29,000                        | -                       | 6,020               | 35,020                           |
| Investment Income                       | 170,950                       | 49,650                  | -                   | 220,600                          |
| Net Appreciation                        | 25,779                        | -                       | -                   | 25,779                           |
| Net Appropriated for Expenditure        | (170,950)                     | (32,200)                | -                   | (203,150)                        |
| Endowment Net Assets, End of Year       | <u>\$ 483,937</u>             | <u>\$ 66,650</u>        | <u>\$ 4,857,111</u> | <u>\$ 5,407,698</u>              |

  

| <u><b>2019</b></u>                      | Without Donor<br>Restrictions | With Donor Restrictions |                     | Total Net<br>Endowment<br>Assets |
|---|-------------------------------|-------------------------|---------------------|----------------------------------|
|   |                               | Purpose                 | Perpetuity          |                                  |
| Endowment Net Assets, Beginning of Year | \$ 409,468                    | \$ 50,000               | \$ 4,843,289        | \$ 5,302,757                     |
| Contributions                           | 28,000                        | -                       | 7,802               | 35,802                           |
| Investment Income                       | 198,900                       | 39,200                  | -                   | 238,100                          |
| Net Appreciation                        | (8,310)                       | -                       | -                   | (8,310)                          |
| Net Appropriated for Expenditure        | (198,900)                     | (40,000)                | -                   | (238,900)                        |
| Endowment Net Assets, End of Year       | <u>\$ 429,158</u>             | <u>\$ 49,200</u>        | <u>\$ 4,851,091</u> | <u>\$ 5,329,449</u>              |