

PENNSYLVANIA SHAKESPEARE FESTIVAL

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

September 30, 2023 and 2022

**PENNSYLVANIA SHAKESPEARE FESTIVAL
TABLE OF CONTENTS**

	Page(s)
Independent Auditor's Report	1 - 2
 <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 - 26

INDEPENDENT AUDITOR'S REPORT

Audit Committee, c/o Board of Directors
Pennsylvania Shakespeare Festival
Center Valley, PA

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania Shakespeare Festival as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pennsylvania Shakespeare Festival's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pennsylvania Shakespeare Festival's ability to continue as a going concern for a reasonable period of time.

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

Cory Bell, Rappold & Yucasita LLP

April 2, 2024

PENNSYLVANIA SHAKESPEARE FESTIVAL
STATEMENTS OF FINANCIAL POSITION
As of September 30, 2023 and 2022

<u>ASSETS</u>		
Current Assets	2023	2022
Cash and Cash Equivalents	\$ 513,208	\$ 813,513
Accounts Receivable	12,764	120,068
Contributions Receivable (Note 3)	33,067	34,439
Prepaid Expenses	13,840	-
Deferred Expenses - Education	107,283	99,375
Inventory	2,243	5,404
Due from DeSales University	106,313	-
Total Current Assets	788,718	1,072,799
Investments and Other Assets		
Contributions Receivable - Long-term (Note 3)	369	25,960
Property and Equipment, Net (Note 4)	71,028	86,433
Right-of-Use Asset (Note 6)	6,737	13,130
Investments - Long-term (Note 5)	6,204,768	5,712,554
Total Assets	<u>\$ 7,071,620</u>	<u>\$ 6,910,876</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts Payable	\$ 2,992	\$ 22,893
Deferred Revenue	17,999	20,376
Deferred Revenue - Education	48,900	54,230
Operating Lease Liability, Current Portion (Note 6)	6,737	6,393
Due to DeSales University	-	95,368
Total Current Liabilities	<u>76,628</u>	<u>199,260</u>
Other Liabilities		
Operating Lease Liability, Net of Current Portion (Note 6)	<u>-</u>	<u>6,737</u>
Total Liabilities	<u>76,628</u>	<u>205,997</u>
Net Assets (Notes 2 and 9)		
Net Assets Without Donor Restrictions		
Undesignated	479,287	623,526
Designated for Endowment	501,395	463,901
	<u>980,682</u>	<u>1,087,427</u>
Net Assets With Donor Restrictions	<u>6,014,310</u>	<u>5,617,452</u>
Total Net Assets	<u>6,994,992</u>	<u>6,704,879</u>
Total Liabilities and Net Assets	<u>\$ 7,071,620</u>	<u>\$ 6,910,876</u>

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

PENNSYLVANIA SHAKESPEARE FESTIVAL
STATEMENT OF ACTIVITIES
Year Ended September 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>
Revenues, Gains, and Other Support			
Contributions	\$ 693,968	\$ -	\$ 693,968
Contributions - Campaign	-	2,130	2,130
Government Grants	17,600	-	17,600
Contributed Nonfinancial Assets (Note 2 and 7)	895,376	-	895,376
Ticket Sales	842,952	-	842,952
Concessions	31,386	-	31,386
Advertising	21,987	-	21,987
Interest Income	8,285	-	8,285
Gross Special Events Revenue	201,871	-	201,871
Less Cost of Direct Benefits to Donors	<u>(83,511)</u>	<u>-</u>	<u>(83,511)</u>
Net Special Events Revenue	118,360	-	118,360
Endowment Income	348,350	83,500	431,850
Education #22 Program Income	146,308	-	146,308
Net Assets Released from Restrictions - Education #22	54,400	(54,400)	-
Net Assets Released from Restrictions	<u>72,591</u>	<u>(72,591)</u>	<u>-</u>
Total Operating Revenues	<u>3,251,563</u>	<u>(41,361)</u>	<u>3,210,202</u>
Expenses			
Program Services:			
Festival	2,524,862	-	2,524,862
Education	240,901	-	240,901
Concessions	<u>20,477</u>	<u>-</u>	<u>20,477</u>
	2,786,240	-	2,786,240
Supporting Services:			
Management and General	390,023	-	390,023
Fund Raising	<u>219,540</u>	<u>-</u>	<u>219,540</u>
Total Operating Expenses	<u>3,395,803</u>	<u>-</u>	<u>3,395,803</u>
Change in Net Assets from Operating Activities	<u>(144,240)</u>	<u>(41,361)</u>	<u>(185,601)</u>
Nonoperating Activities			
Contributions - Campaign	-	3,499	3,499
Endowment Earnings Greater Than			
Endowment Spending Policy	(1,200)	(4,561)	(5,761)
Unrealized Gain on Investments	<u>38,695</u>	<u>439,281</u>	<u>477,976</u>
Change in Net Assets from Nonoperating Activities	<u>37,495</u>	<u>438,219</u>	<u>475,714</u>
Total Change in Net Assets	(106,745)	396,858	290,113
Net Assets at Beginning of Year	<u>1,087,427</u>	<u>5,617,452</u>	<u>6,704,879</u>
Net Assets at End of Year	<u>\$ 980,682</u>	<u>\$ 6,014,310</u>	<u>\$ 6,994,992</u>

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

PENNSYLVANIA SHAKESPEARE FESTIVAL
STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Revenues, Gains, and Other Support			
Contributions	\$ 533,051	\$ 40,000	\$ 573,051
Contributions - Campaign	-	2,115	2,115
Government Grants	600,364	-	600,364
Contributed Nonfinancial Assets (Note 2 and 7)	819,946	-	819,946
Ticket Sales	651,825	-	651,825
Concessions	20,508	-	20,508
Advertising	20,342	-	20,342
Interest Income	75	-	75
Gross Special Events Revenue	195,730	-	195,730
Less Cost of Direct Benefits to Donors	(73,864)	-	(73,864)
Net Special Events Revenue	121,866	-	121,866
Endowment Income	182,125	54,400	236,525
Education #21 Program Income	112,785	-	112,785
Net Assets Released from Restrictions - Education #21	50,000	(50,000)	-
Net Assets Released from Restrictions	11,446	(11,446)	-
Total Operating Revenues	3,124,333	35,069	3,159,402
Expenses			
Program Services:			
Festival	2,288,207	-	2,288,207
Education	203,382	-	203,382
Concessions	13,279	-	13,279
	2,504,868	-	2,504,868
Supporting Services:			
Management and General	421,978	-	421,978
Fund Raising	191,382	-	191,382
Total Operating Expenses	3,118,228	-	3,118,228
Change in Net Assets from Operating Activities	6,105	35,069	41,174
Nonoperating Activities			
Contributions - Campaign	-	3,943	3,943
Endowment Earnings Greater Than			
Endowment Spending Policy	17,950	202,001	219,951
Unrealized Loss on Investments	(116,895)	(1,318,025)	(1,434,920)
Change in Net Assets from Nonoperating Activities	(98,945)	(1,112,081)	(1,211,026)
Total Change in Net Assets	(92,840)	(1,077,012)	(1,169,852)
Net Assets at Beginning of Year	1,180,267	6,694,464	7,874,731
Net Assets at End of Year	\$ 1,087,427	\$ 5,617,452	\$ 6,704,879

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

**PENNSYLVANIA SHAKESPEARE FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2023**

	Program				Management and General	Fund Raising	2023	
	Festival	Education	Concessions	Total				
Wages and Subcontracts	\$ 1,193,368	\$ 134,355	\$ -	\$ 1,327,723	\$ 169,015	\$ 146,458	\$ 1,643,196	(1)
Health and Retirement Benefits	229,714	22,751	-	252,465	33,696	44,462	330,623	(2)
Payroll Taxes	81,287	9,654	-	90,941	11,056	12,349	114,346	(3)
Total Salaries and Related Expenses	1,504,369	166,760	-	1,671,129	213,767	203,269	2,088,165	
Professional Fees	10,917	-	-	10,917	10,917	-	21,834	(4)
Supplies	-	-	-	-	12,860	50	12,910	
Cultivation	-	-	-	-	-	2,685	2,685	
Telephone	586	643	-	1,229	293	293	1,815	
Postage and Shipping	6,857	-	-	6,857	4,114	2,118	13,089	
Occupancy	88,000	-	-	88,000	49,200	-	137,200	(5)
Equipment Rental and Maintenance	-	-	-	-	2,161	-	2,161	
Printing and Publications	36,584	-	-	36,584	42	10,181	46,807	(6)
Travel	29,065	11,765	-	40,830	2,309	305	43,444	
Conferences, Conventions and Meetings	-	-	-	-	34,092	-	34,092	
Administration Professional Development and Research	-	-	-	-	6,411	-	6,411	
Insurance	-	1,237	-	1,237	16,429	-	17,666	
Promotion and Advertising	194,354	1,399	-	195,753	-	189	195,942	(7)
Auditions	7,289	25	-	7,314	-	-	7,314	
Production Costs	646,841	59,072	-	705,913	-	-	705,913	(8)
Refreshments and Dinners	-	-	13,062	13,062	-	-	13,062	
Products	-	-	7,415	7,415	-	-	7,415	
Special Events	-	-	-	-	-	83,511	83,511	
Miscellaneous	-	-	-	-	7,624	450	8,074	
Total Expenses Before Depreciation	2,524,862	240,901	20,477	2,786,240	360,219	303,051	3,449,510	
Depreciation of Equipment	-	-	-	-	29,804	-	29,804	
Total Expense by Function	2,524,862	240,901	20,477	2,786,240	390,023	303,051	3,479,314	
Less Expenses Included with Revenues on the Statement of Activities	-	-	-	-	-	(83,511)	(83,511)	
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	
TOTAL EXPENSES	<u>\$ 2,524,862</u>	<u>\$ 240,901</u>	<u>\$ 20,477</u>	<u>\$ 2,786,240</u>	<u>\$ 390,023</u>	<u>\$ 219,540</u>	<u>\$ 3,395,803</u>	
The following amounts are the value of in-kind gifts to the Organization, which are included in the above expenses:							\$ 273,940	(1)
							75,442	(2)
							21,745	(3)
							6,954	(4)
							137,200	(5)
							8,075	(6)
							37,227	(7)
							334,793	(8)
							<u>\$ 895,376</u>	

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

**PENNSYLVANIA SHAKESPEARE FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022**

	Program				Management and General	Fund Raising	2022	
	Festival	Education	Concessions	Total				
Wages and Subcontracts	\$ 1,077,638	\$ 113,271	\$ -	\$ 1,190,909	\$ 167,628	\$ 132,564	\$ 1,491,101	(1)
Health and Retirement Benefits	167,542	11,337	-	178,879	31,124	37,117	247,120	(2)
Payroll Taxes	98,068	7,276	-	105,344	9,756	10,563	125,663	(3)
Total Salaries and Related Expenses	1,343,248	131,884	-	1,475,132	208,508	180,244	1,863,884	
Professional Fees	11,750	-	-	11,750	56,817	-	68,567	(4)
Supplies	-	-	-	-	10,089	-	10,089	
Cultivation	-	-	-	-	-	2,846	2,846	
Telephone	656	907	-	1,563	328	328	2,219	
Postage and Shipping	3,793	-	-	3,793	3,121	1,374	8,288	
Occupancy	86,000	-	-	86,000	48,000	-	134,000	(5)
Equipment Rental and Maintenance	-	-	-	-	4,336	-	4,336	
Printing and Publications	46,573	-	-	46,573	-	5,946	52,519	(6)
Travel	35,567	10,604	-	46,171	8,895	154	55,220	
Conferences, Conventions and Meetings	-	-	-	-	17,649	-	17,649	
Administration Professional Development and Research	-	-	-	-	2,938	-	2,938	
Insurance	-	1,250	-	1,250	16,605	-	17,855	
Promotion and Advertising	149,168	2,644	-	151,812	-	-	151,812	(7)
Auditions	21,230	12	-	21,242	-	-	21,242	
Production Costs	590,222	56,081	-	646,303	-	-	646,303	(8)
Refreshments and Dinners	-	-	8,472	8,472	-	-	8,472	
Products	-	-	4,807	4,807	-	-	4,807	
Special Events	-	-	-	-	-	73,864	73,864	
Miscellaneous	-	-	-	-	13,330	490	13,820	
Total Expenses Before Depreciation	2,288,207	203,382	13,279	2,504,868	390,616	265,246	3,160,730	
Depreciation of Equipment	-	-	-	-	31,362	-	31,362	
Total Expense by Function	2,288,207	203,382	13,279	2,504,868	421,978	265,246	3,192,092	
Less Expenses Included with Revenues on the Statement of Activities	-	-	-	-	-	(73,864)	(73,864)	
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	
TOTAL EXPENSES	\$ 2,288,207	\$ 203,382	\$ 13,279	\$ 2,504,868	\$ 421,978	\$ 191,382	\$ 3,118,228	

The following amounts are the value of in-kind gifts to the Organization, which are included in the above expenses:	\$ 279,758	(1)
	70,358	(2)
	22,134	(3)
	10,248	(4)
	134,000	(5)
	250	(6)
	29,423	(7)
	273,775	(8)
	<u>\$ 819,946</u>	

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

PENNSYLVANIA SHAKESPEARE FESTIVAL
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 290,113	\$ (1,169,852)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	29,804	31,362
Contributions Restricted for Permanent Endowment and Capital Campaign	(20,000)	(21,500)
Realized and Unrealized (Gain) Loss on Investments	(782,872)	1,093,204
(Increase) Decrease in Assets:		
Accounts Receivable	107,304	(102,095)
Contributions Receivable	26,963	26,888
Prepaid Expenses	(13,840)	-
Deferred Expenses - Education	(7,908)	(64,294)
Inventory	3,161	886
Due from DeSales University	(106,313)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(19,901)	7,388
Deferred Revenue	(2,377)	(333,465)
Deferred Revenue - Education	(5,330)	1,630
Due to DeSales University	(95,368)	91,574
Total Adjustments	<u>(886,677)</u>	<u>731,578</u>
Net Cash Used in Operating Activities	<u>(596,564)</u>	<u>(438,274)</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(14,399)	(23,367)
Proceeds from Sale of Investments, Net	<u>290,658</u>	<u>100,264</u>
Net Cash Provided by Investing Activities	<u>276,259</u>	<u>76,897</u>
Cash Flows from Financing Activities		
Contributions Restricted for Permanent Endowment and Capital Campaign	<u>20,000</u>	<u>21,500</u>
Net Cash Provided by Financing Activities	<u>20,000</u>	<u>21,500</u>
Net Decrease in Cash and Cash Equivalents	(300,305)	(339,877)
Cash and Cash Equivalents at Beginning of Year	<u>813,513</u>	<u>1,153,390</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 513,208</u></u>	<u><u>\$ 813,513</u></u>
Supplemental Cash Flows Information		
Contributed Nonfinancial Assets - Special Events	<u>\$ 9,071</u>	<u>\$ 10,591</u>
Contributed Nonfinancial Assets - Facilities, Services and Equipment, and Personnel and Related Benefits	<u>\$ 895,376</u>	<u>\$ 819,946</u>

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

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

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 1,062,736 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 not-for-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, 2023 and 2022

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.

Revenue Recognition

The Organization's revenue from contracts with customers that fall within the scope of ASC 606 is recognized within Ticket Sales, Concessions, Education Program Income, and Special Events. Revenues are recognized as the Organization satisfies its obligation to the customer. Services within the scope of ASC 606 include providing a variety of performing arts including, but not limited to, classical and contemporary plays and educational outreach.

**PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022**

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Organization's revenue streams within the scope of ASC 606 are accounted for in the following segments:

Ticket Sales – The Organization earns fees from its customers through ticket sales for performances. These fees are paid prior to the start of the show. Box office ticket sales and related fees are primarily recognized when the services are rendered. Services covered by the box office ticket sales are typically rendered and completed within the fiscal year. Revenue received for a program date scheduled in the subsequent fiscal year is deferred at year end.

Concessions – The Organization earns concession revenue through sales of food, beverages, and souvenirs to its customers. The concession sales revenue is earned and collected when the goods are exchanged with the customer. Therefore, the services is rendered and completed within the fiscal year. No concession revenue remains in deferred revenue at year end.

Education Program Income – The Organization earns fees from customers through contractual obligations with schools hosting the Willpower program. The WillPower program typically is held in October and November, immediately following the conclusion of the fiscal year. The Organization defers all WillPower revenue and related expenses until the conclusion of the event, at which time the Organization recognizes the activity.

Special Events – The Organization hosts an annual gala to raise funds to support the festival operations. The gala ticket sales hold a component of cost related to the dinner and entertainment, and a contribution portion related to the additional amount received. The Organization recognizes the contribution at the time of receipt, and the additional revenue at time of delivery.

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 is 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.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Contributions (Continued)

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.

Contributed Nonfinancial Assets

Donated facilities, services and equipment, and personnel and related benefits are reflected as contributed nonfinancial assets in the accompanying statements at their estimated fair values at date of receipt. Donated 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.

Goods donated for special events are included in the gross special events revenue in the accompanying financial statements at their estimated fair values at date of receipt.

Contributed nonfinancial assets reflected in the accompanying financial statements at September 30, 2023 and 2022 are as follows:

Contributed Nonfinancial Asset	Revenue Recognized		Program Benefited	Donor Restriction	Valuation Techniques and Inputs
	2023	2022			
Personnel and Related Benefits	\$ 371,127	\$ 372,250	Festival, educational and management services.	Restricted for wages, taxes, and benefits of specified personnel.	Fair value is estimated based on current rates of providing similar services.
Facilities	471,993	407,775	Festival and educational services.	Restricted for theatre, office, and artist housing.	Fair value is estimated based on current market rates for real estate of similar square footage and quality.
Services and Equipment	52,256	39,921	Festival and educational services.	Restricted for professional services.	Fair value is estimated based on current rates of providing similar services.
Subtotal	895,376	819,946			
Gala Auction Items and Promotional Materials	9,071	10,591	Special events.	Restricted for special event.	Fair value is estimated based on current rates of similar items and materials.
Total	<u>\$ 904,447</u>	<u>\$ 830,537</u>			

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

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 and losses.

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.

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

Leases

The Organization has entered into various operating leases for a vehicle and two storage pods. The obligation associated with the vehicle lease has been recognized as a liability in the Statements of Financial Position based on future lease payments, discounted by the incremental borrowing rate.

Leases with an initial term of 12 months or less are not recognized on the Statements of Financial Position since the Organization has elected the practical expedient to exclude these leases from right-of-use asset and operating lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

Deferred Revenues and Expenses

Deferred revenue includes gift certificates and advertising held for use in the next fiscal year.

Deferred revenue – education includes activity related to the annual WillPower program, which generally runs through November of each year. The revenue and expenses are deferred to the fiscal year in which the season concludes, and the performance delivery is satisfied.

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

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Promotion and Advertising Expenses

Promotion and advertising costs are expensed when incurred. Total promotion and advertising expense during the years ended September 30, 2023 and 2022 was \$195,942 and \$151,812, respectively, and is 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
Management and General
Fund Raising

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, 2023 was approximately \$201,094.

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 Statements of Financial Position and the Statement of Activities.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Internal Revenue Service ("IRS") has ruled that the Organization is tax-exempt as a not-for-profit corporation 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, 2023 and 2022.

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.

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 individual donor-restricted endowment funds did not fall below the donor's original contribution in 2023 or 2022.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Endowment Net Assets (Continued)

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: Effective October 1, 2022, the Organization adopted an endowment investment return spending policy that allows spending of the earnings equal to a range of 2% to 7% of the three-year market value average of the respective endowment at the beginning of each fiscal year. The previous endowment investment return spending policy allowed spending 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.

Government Grants – Shuttered Venue Operators Grant (SVOG)

In response to the COVID-19 pandemic, the federal government enacted and provided budgetary relief to not-for-profit corporations. The Shuttered Venue Operators Grant (SVOG) program was created as part of both the Consolidated Appropriation Act (CAA) and the American Rescue Plan (ARP). The program included \$16 billion in assistance available to a variety of qualifying shuttered venues and production companies, administered by the Small Business Administration's (SBA) Office of Disaster Assistance. Grantees were not required to repay the funds as long as they were expended for eligible costs incurred during a specified period beginning March 1, 2020 through June 30, 2022.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

Government Grants – Shuttered Venue Operators Grant (SVOG) (Continued)

The Organization received \$514,749 on July 12, 2021, as part of Phase 1 of the SVOG. The Organization received an additional \$257,374 in November 2021, as part of the Supplemental Phase of the SVOG, for a total of \$772,123 in SVOG funding. The Organization spent \$193,031 of the Phase 1 award on eligible payroll costs and accordingly recognized the revenue in fiscal year ending September 30, 2021. The remaining Phase 1 award and the supplemental award were expended on eligible costs during the SVOG grant award budget period in fiscal year ending September 30, 2022. The Organization recognized \$579,092 in Government Grants revenue in the accompanying Statement of Activities for the year ended September 30, 2022.

No COVID-19 relief funding was recognized during the year ended September 30, 2023.

New Accounting Standard Not Yet Adopted

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. Under ASU 2016-13, management is required to consider specific situations related to the receivable balance, current and future expected economic conditions, past experience of losses, as well as an assessment of potential recoverability for expected credit losses in determining an allowance for uncollectible accounts. ASU 2016-13 is effective for the Organization in fiscal year 2024. The Organization is currently assessing the effect that ASU 2016-13 will have on its net assets, financial position, and cash flows.

Subsequent Events

Management has evaluated subsequent events through April 2, 2024, the date on which the financial statements were available to be issued and has determined no material subsequent events exist that would require financial statement adjustment or note disclosure.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

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>2023</u>	<u>2022</u>
In One Year or Less	\$ 38,967	\$ 40,539
Between One and Five Years	480	31,500
Greater than Five Years	<u>-</u>	<u>-</u>
Gross Contributions Receivable	39,447	72,039
Less: Unamortized Discount and Allowance for Uncollectible Amounts	<u>(6,011)</u>	<u>(11,640)</u>
Total Net Contributions Receivable	<u>\$ 33,436</u>	<u>\$ 60,399</u>

Presented in the accompanying Statements of Financial Position as:

Contributions Receivable - Current	\$ 33,067	\$ 34,439
Contributions Receivable - Long-term	<u>369</u>	<u>25,960</u>
	<u>\$ 33,436</u>	<u>\$ 60,399</u>

4. Property and Equipment

Property and equipment at September 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Furniture and Equipment	\$ 82,138	\$ 86,308
Technology Equipment	217,188	219,570
Vehicles	<u>28,773</u>	<u>28,773</u>
	328,099	334,651
Less: Accumulated Depreciation	<u>(257,071)</u>	<u>(248,218)</u>
Total Property and Equipment, Net	<u>\$ 71,028</u>	<u>\$ 86,433</u>

Depreciation charged to expense was \$29,804 and \$31,362 for the years ended September 30, 2023 and 2022, respectively.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

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:

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Cash and Cash Equivalents	\$ 156,465	\$ 156,465	\$ 142,128	\$ 142,128
U.S. Government Obligations	176,187	183,701	372,214	390,502
Corporate Bonds	342,687	355,950	636,322	673,691
Equity Securities	4,332,228	3,995,113	3,459,955	3,630,135
Asset Backed Securities	30,174	33,248	22,690	24,875
Mutual Funds	97,551	124,310	70,304	91,928
Land	177,143	387,184	163,613	357,610
Alternative Investments	892,333	667,044	845,328	577,908
Total Investments	<u>\$ 6,204,768</u>	<u>\$ 5,903,015</u>	<u>\$ 5,712,554</u>	<u>\$ 5,888,777</u>

The components of total investment return are reflected below. Investment return for the years ended September 30, 2023 and 2022 is net of investment management and custodian expenses of \$32,315 and \$32,007, respectively.

	2023	2022
Investment Earnings	\$ 121,193	\$ 114,760
Net Realized and Unrealized Gain (Loss)	<u>782,872</u>	<u>(1,093,204)</u>
Total Investment Return	<u>\$ 904,065</u>	<u>\$ (978,444)</u>

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

	2023	2022
Operating:		
Endowment Spending Distribution	\$ 348,350	\$ 182,125
Endowment Spending Distribution - Education	<u>83,500</u>	<u>54,400</u>
	<u>431,850</u>	<u>236,525</u>
Non Operating:		
Endowment Earnings Greater (Less)		
than Endowment Spending Policy	(5,761)	219,951
Unrealized Net Gain (Loss) on Investments	<u>477,976</u>	<u>(1,434,920)</u>
	<u>472,215</u>	<u>(1,214,969)</u>
Total Investment Return	<u>\$ 904,065</u>	<u>\$ (978,444)</u>

The spending distribution was 4-7% of the respective endowment in 2023 and 2022.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

5. Investments - Long Term (Continued)

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.

The following valuation techniques were used to measure the fair value of investments as of September 30, 2023 and 2022:

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 which are considered Level 1 inputs.

Mortgage and other asset backed securities: Interest rates and credit risks of similar securities are used to determine the fair value of these instruments which are considered Level 2 inputs.

Land: An independent appraisal based on quoted prices for similar land and other observable inputs was used to determine the fair market value which is considered Level 2 inputs.

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 are as follows:

<u>2023</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	\$ 490,666	\$ -	Various	90-95 days
Managed Futures	176,421	-	Monthly	3 days
Private Equity Funds	225,246	190,016	Liquid	
	<u>\$ 892,333</u>	<u>\$ 190,016</u>		
<u>2022</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	\$ 496,634	\$ -	Various	90-95 days
Managed Futures	159,983	-	Monthly	3 days
Private Equity Funds	188,711	132,848	Liquid	
	<u>\$ 845,328</u>	<u>\$ 132,848</u>		

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

5. Investments - Long Term (Continued)

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.

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>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 156,465	\$ -	\$ -	\$ 156,465
U.S. Government Obligations	176,187	-	-	176,187
U.S. Large-Cap Equities	2,099,736	-	-	2,099,736
U.S. Mid-Cap Equities	243,230	-	-	243,230
U.S. Small-Cap Equities	246,506	-	-	246,506
International Equities - Emerging	314,677	-	-	314,677
International Equities - Developed	1,428,079	-	-	1,428,079
Mutual Funds - Fixed Income	97,551	-	-	97,551
Corporate Bonds	-	342,687	-	342,687
Mortgage and Asset Backed Securities	-	30,174	-	30,174
Land	-	177,143	-	177,143
Total Investments by Valuation Hierarchy	<u>4,762,431</u>	<u>550,004</u>	<u>-</u>	<u>5,312,435</u>
Alternative Investments (measured at net asset value)				<u>892,333</u>
Total Investments				<u>\$ 6,204,768</u>
<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 142,128	\$ -	\$ -	\$ 142,128
U.S. Government Obligations	372,214	-	-	372,214
U.S. Large-Cap Equities	1,727,037	-	-	1,727,037
U.S. Mid-Cap Equities	211,355	-	-	211,355
U.S. Small-Cap Equities	201,274	-	-	201,274
International Equities - Emerging	257,728	-	-	257,728
International Equities - Developed	1,062,561	-	-	1,062,561
Mutual Funds - Fixed Income	70,304	-	-	70,304
Corporate Bonds	-	636,322	-	636,322
Mortgage and Asset Backed Securities	-	22,690	-	22,690
Land	-	163,613	-	163,613
Total Investments by Valuation Hierarchy	<u>4,044,601</u>	<u>822,625</u>	<u>-</u>	<u>4,867,226</u>
Alternative Investments (measured at net asset value)				<u>845,328</u>
Total Investments				<u>\$ 5,712,554</u>

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

6. Leases

The Organization has entered into the following lease arrangements:

Operating leases: The Organization leases a vehicle and two storage pods. The leases have initial lease terms of three to five years. Due to the de minimis value of the storage pods and as a practical expedient, the Organization has elected to exclude these leases from the operating right-of-use asset and lease liabilities. Accordingly, expense for the pods is recognized on a straight-line basis over the lease term as an operating expense.

The Organization makes certain assumptions and judgements in determining the discount rate, as several leases do not provide an implicit rate. The Organization uses their incremental borrowing rate, for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments when the implicit rate is not provided.

Subsequent to the lease commencement date, the Organization reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

Right-of-use asset and lease liability is recorded in the Statements of Financial Position at September 30 as follows:

	<u>2023</u>	<u>2022</u>
Other Assets:		
Right-of-Use Asset	<u>\$ 6,737</u>	<u>\$ 13,130</u>
Current Liabilities:		
Operating Lease Liability, Current Portion	\$ 6,737	\$ 6,393
Other Liabilities:		
Operating Lease Liability, Net of Current Portion	<u>-</u>	<u>6,737</u>
Total Operating Lease Liability	<u>\$ 6,737</u>	<u>\$ 13,130</u>

Future minimum lease payments under operating lease are as follows:

Years ending September 30,	
2024	<u>\$ 6,900</u>
Total	6,900
Less: Amount Representing Interest	<u>(163)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 6,737</u>

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

6. Leases (Continued)

Total lease costs are comprised of the following:

	<u>2023</u>	<u>2022</u>
Lease Cost:		
Operating Lease Cost	\$ 6,900	\$ 6,900
Short-term Lease Cost	6,475	3,043
Weighted-average Remaining Lease Term	2-5 years	2-5 years
Weighted-average Discount Rate	5.25%	5.25%

7. Related Parties

The Organization is a wholly owned subsidiary of DeSales University. The estimated value of contributed nonfinancial assets from the University for the years ended September 30 are as follows:

	<u>2023</u>	<u>2022</u>
Facilities:		
Theater Facilities	\$ 88,000	\$ 86,000
Office Facilities	49,200	48,000
Artist Housing	334,793	273,775
	<u>471,993</u>	<u>407,775</u>
Personnel and Related Benefits	371,127	372,250
	<u>\$ 843,120</u>	<u>\$ 780,025</u>

8. Liquidity and Availability

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

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 513,208	\$ 813,513
Accounts Receivable	12,764	120,068
Contributions Receivable	33,067	34,439
Less: Net Assets With Donor Restrictions	<u>(227,067)</u>	<u>(288,439)</u>
	<u>\$ 331,972</u>	<u>\$ 679,581</u>

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

8. Liquidity and Availability (Continued)

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization 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 Organization 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 Organization's spending policy, effective October 1, 2022, allows spending of the earnings equal to a range of 2% to 7% of the three-year market value average of the respective endowment at the beginning of the fiscal year. This policy will yield approximately \$439,000 of appropriations for spending for the year ended September 30, 2024.

The board-designated endowment of \$501,395 as of September 30, 2023, is subject to an annual spending rate of up to 7%, effective October 1, 2022. Although the Organization 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.

9. Net Assets

Net assets without donor restrictions consist of the following:

	<u>2023</u>	<u>2022</u>
<u>Without Donor Restrictions:</u>		
Board Designated Endowment	\$ 501,395	\$ 463,901
Undesignated	<u>479,287</u>	<u>623,526</u>
Total Net Assets Without Donor Restriction	<u>\$ 980,682</u>	<u>\$ 1,087,427</u>

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2023 and 2022

9. Net Assets (Continued)

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

	<u>2023</u>	<u>2022</u>
<u>Purpose or Time Restricted:</u>		
Education Program, Season #23	\$ 83,500	\$ -
Education Program, Season #22	-	54,400
"Campaign for Pennsylvania Shakespeare Festival"	12,636	23,098
Future Festival Sponsorships and Activities	194,000	254,000
Future Operations:		
General Festival Operations	479,983	236,333
"WillPower" Education Program	171,188	78,282
PSF Interns/Apprentices	99,308	54,081
Other Programs	<u>105,009</u>	<u>52,071</u>
Total Net Assets With Purpose or Time Restrictions	<u>\$ 1,145,624</u>	<u>\$ 752,265</u>
<u>Restricted in Perpetuity:</u>		
"Campaign for Pennsylvania Shakespeare Festival" - Endowment	\$ 20,800	\$ 37,301
General Festival Operations	1,474,738	1,474,738
General Festival Operations - Campaign	1,254,250	1,254,250
"WillPower" Education Program	948,179	948,179
"WillPower" Education Program - Campaign	101,800	101,800
PSF Interns/Apprentices	435,366	435,366
PSF Interns/Apprentices - Campaign	65,000	65,000
Other Programs	96,300	76,300
Other Programs - Campaign	<u>472,253</u>	<u>472,253</u>
Total Net Assets Restricted in Perpetuity	<u>\$ 4,868,686</u>	<u>\$ 4,865,187</u>
Total Net Assets With Donor Restrictions:	<u>\$ 6,014,310</u>	<u>\$ 5,617,452</u>

Net assets with donor restrictions released from purpose or time restrictions in the years ended September 30, 2023 and 2022 were \$126,991 and \$61,446, 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, 2023 and 2022

9. 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>2023</u>	Without Donor Restrictions	With Donor Restrictions		Total Net Endowment Assets
		Purpose	Perpetuity	
Donor-Restricted Endowment Funds	\$ -	\$ 83,500	\$ 4,868,686	\$ 4,952,186
Board-Designated Endowment Funds	501,395	-	-	501,395
Total Funds	<u>\$ 501,395</u>	<u>\$ 83,500</u>	<u>\$ 4,868,686</u>	<u>\$ 5,453,581</u>

<u>2022</u>	Without Donor Restrictions	With Donor Restrictions		Total Net Endowment Assets
		Purpose	Perpetuity	
Donor-Restricted Endowment Funds	\$ -	\$ 54,400	\$ 4,865,187	\$ 4,919,587
Board-Designated Endowment Funds	463,901	-	-	463,901
Total Funds	<u>\$ 463,901</u>	<u>\$ 54,400</u>	<u>\$ 4,865,187</u>	<u>\$ 5,383,488</u>

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

<u>2023</u>	Without Donor Restrictions	With Donor Restrictions		Total Net Endowment Assets
		Purpose	Perpetuity	
Endowment Net Assets, Beginning of Year	\$ 463,901	\$ 54,400	\$ 4,865,187	\$ 5,383,488
Contributions	-	-	3,499	3,499
Investment Income	348,350	83,500	-	431,850
Net Appreciation	37,494	-	-	37,494
Net Appropriated for Expenditure	(348,350)	(54,400)	-	(402,750)
Endowment Net Assets, End of Year	<u>\$ 501,395</u>	<u>\$ 83,500</u>	<u>\$ 4,868,686</u>	<u>\$ 5,453,581</u>

<u>2022</u>	Without Donor Restrictions	With Donor Restrictions		Total Net Endowment Assets
		Purpose	Perpetuity	
Endowment Net Assets, Beginning of Year	\$ 562,846	\$ 50,000	\$ 4,861,244	\$ 5,474,090
Contributions	-	-	3,943	3,943
Investment Income	182,125	54,400	-	236,525
Net Depreciation	(98,945)	-	-	(98,945)
Net Appropriated for Expenditure	(182,125)	(50,000)	-	(232,125)
Endowment Net Assets, End of Year	<u>\$ 463,901</u>	<u>\$ 54,400</u>	<u>\$ 4,865,187</u>	<u>\$ 5,383,488</u>