

PENNSYLVANIA SHAKESPEARE FESTIVAL

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

September 30, 2021 and 2020

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103

**PENNSYLVANIA SHAKESPEARE FESTIVAL
TABLE OF CONTENTS**

	Page(s)
Independent Auditor's Report	1 - 2
<i><u>Financial Statements:</u></i>	
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 - 27

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, 2021 and 2020, 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, 2021 and 2020, 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, including omissions, 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.

Congbell, Rappold & Yucasita LLP

March 10, 2022

**PENNSYLVANIA SHAKESPEARE FESTIVAL
STATEMENTS OF FINANCIAL POSITION
As of September 30, 2021 and 2020**

<u>ASSETS</u>		
Current Assets	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,153,390	\$ 648,538
Accounts Receivable	17,973	21,979
Contributions Receivable (Note 3)	36,115	41,045
Deferred Expenses - Education	35,081	29,363
Inventory	<u>6,290</u>	<u>7,070</u>
Total Current Assets	1,248,849	747,995
 Investments and Other Assets		
Contributions Receivable - Long-term (Note 3)	51,172	76,163
Property and Equipment, Net (Note 4)	94,428	95,515
Right-of-Use Asset (Note 6)	19,197	-
Investments - Long-term (Note 5)	<u>6,906,022</u>	<u>5,921,602</u>
Total Assets	<u><u>\$ 8,319,668</u></u>	<u><u>\$ 6,841,275</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
 Current Liabilities		
Accounts Payable	\$ 15,505	\$ 1,230
Deferred Revenue	353,841	47,708
Deferred Revenue - Education	52,600	32,500
Operating Lease Liability (Note 6)	6,067	-
Due to DeSales University	<u>3,794</u>	<u>46,159</u>
Total Current Liabilities	<u>431,807</u>	<u>127,597</u>
 Other Liabilities		
Operating Lease Liability (Note 6)	<u>13,130</u>	<u>-</u>
Total Liabilities	<u>444,937</u>	<u>127,597</u>
 Net Assets (Notes 2 and 9)		
Net Assets Without Donor Restrictions		
Undesignated	617,421	509,219
Designated for Endowment	<u>562,846</u>	<u>483,937</u>
	1,180,267	993,156
Net Assets With Donor Restrictions	<u>6,694,464</u>	<u>5,720,522</u>
Total Net Assets	<u>7,874,731</u>	<u>6,713,678</u>
Total Liabilities and Net Assets	<u><u>\$ 8,319,668</u></u>	<u><u>\$ 6,841,275</u></u>

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

PENNSYLVANIA SHAKESPEARE FESTIVAL
STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Revenues, Gains, and Other Support			
Contributions	\$ 488,530	\$ 115,000	\$ 603,530
Contributions - Campaign	-	2,947	2,947
Government Grants	400,880	-	400,880
Donated Facilities (Note 7)	226,325	-	226,325
Donated Services and Equipment	26,763	-	26,763
Donated Wages, Taxes and Benefits (Note 7)	321,980	-	321,980
Ticket Sales	274,000	-	274,000
Concessions	5,970	-	5,970
Advertising	1,100	-	1,100
Interest Income	49	-	49
Gross Special Events Revenue	119,385	-	119,385
Less Cost of Direct Benefits to Donors	<u>(49,347)</u>	<u>-</u>	<u>(49,347)</u>
Net Special Events Revenue	70,038	-	70,038
Endowment Income	122,620	50,000	172,620
Education #21 Program Income	70,820	-	70,820
Net Assets Released from Restrictions - Education #21	66,650	(66,650)	-
Net Assets Released from Restrictions	<u>16,000</u>	<u>(16,000)</u>	<u>-</u>
Total Operating Revenues	<u>2,091,725</u>	<u>85,297</u>	<u>2,177,022</u>
Expenses			
Program Services:			
Festival	1,350,435	-	1,350,435
Education	175,066	-	175,066
Concessions	4,864	-	4,864
	<u>1,530,365</u>	<u>-</u>	<u>1,530,365</u>
Supporting Services:			
Management and General	286,121	-	286,121
Fund Raising	167,037	-	167,037
	<u>1,983,523</u>	<u>-</u>	<u>1,983,523</u>
Change in Net Assets from Operating Activities	<u>108,202</u>	<u>85,297</u>	<u>193,499</u>
Nonoperating Activities			
Contributions - Campaign	-	4,133	4,133
Endowment Earnings Greater Than Endowment Spending Policy	41,606	461,924	503,530
Unrealized Gain on Investments	37,303	422,588	459,891
	<u>78,909</u>	<u>888,645</u>	<u>967,554</u>
Change in Net Assets from Nonoperating Activities	<u>78,909</u>	<u>888,645</u>	<u>967,554</u>
Total Change in Net Assets	187,111	973,942	1,161,053
Net Assets at Beginning of Year	<u>993,156</u>	<u>5,720,522</u>	<u>6,713,678</u>
Net Assets at End of Year	<u>\$ 1,180,267</u>	<u>\$ 6,694,464</u>	<u>\$ 7,874,731</u>

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

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Revenues, Gains, and Other Support			
Contributions	\$ 476,219	\$ 8,000	\$ 484,219
Contributions - Campaign	-	5,927	5,927
Government Grants	22,798	-	22,798
Donated Facilities (Note 7)	45,600	-	45,600
Donated Services and Equipment	21,170	-	21,170
Donated Wages, Taxes and Benefits (Note 7)	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	(14,376)	-	(14,376)
Net Special Events Revenue	85,292	-	85,292
Endowment Income	170,950	49,650	220,600
Education #20 Program Income	126,800	-	126,800
Net Assets Released from Restrictions - Education #20	32,200	(32,200)	-
Net Assets Released from Restrictions	63,760	(63,760)	-
Total Operating Revenues	<u>1,356,909</u>	<u>(32,383)</u>	<u>1,324,526</u>
Expenses			
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>
Change in Net Assets from Operating Activities	<u>36,129</u>	<u>(32,383)</u>	<u>3,746</u>
Nonoperating Activities			
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
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
Net Assets at Beginning of Year	<u>931,247</u>	<u>5,501,996</u>	<u>6,433,243</u>
Net Assets at End of Year	<u>\$ 993,156</u>	<u>\$ 5,720,522</u>	<u>\$ 6,713,678</u>

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

**PENNSYLVANIA SHAKESPEARE FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2021**

	Program			Total	Management and General	Fund Raising	2021	
	Festival	Education	Concessions					
Wages and Subcontracts	\$ 608,970	\$ 91,796	\$ -	\$ 700,766	\$ 121,927	\$ 120,330	\$ 943,023	(1)
Health and Retirement Benefits	116,837	19,214	-	136,051	27,818	27,994	191,863	(2)
Payroll Taxes	45,057	7,103	-	52,160	8,817	9,589	70,566	(3)
Total Salaries and Related Expenses	770,864	118,113	-	888,977	158,562	157,913	1,205,452	
Professional Fees	9,908	-	-	9,908	7,591	-	17,499	(4)
Supplies	-	-	-	-	9,254	42	9,296	
Cultivation	-	-	-	-	-	178	178	
Telephone	521	1,620	-	2,141	550	261	2,952	
Postage and Shipping	668	-	-	668	2,255	2,200	5,123	
Occupancy	56,000	-	-	56,000	46,800	-	102,800	(5)
Equipment Rental and Maintenance	-	-	-	-	3,833	-	3,833	
Printing and Publications	10,216	-	-	10,216	-	5,629	15,845	(6)
Travel	13,239	7,647	-	20,886	258	119	21,263	
Conferences, Conventions and Meetings	-	-	-	-	6,182	-	6,182	
Administration Professional Development and Research	-	-	-	-	1,923	-	1,923	
Insurance	-	1,429	-	1,429	12,857	-	14,286	
Promotion and Advertising	89,996	8,009	-	98,005	-	-	98,005	(7)
Auditions	-	-	-	-	-	-	-	
Production Costs	399,023	38,248	-	437,271	-	-	437,271	(8)
Refreshments and Dinners	-	-	3,667	3,667	-	-	3,667	
Products	-	-	1,197	1,197	-	-	1,197	
Special Events	-	-	-	-	-	49,347	49,347	
Miscellaneous	-	-	-	-	5,462	695	6,157	
Total Expenses Before Depreciation	1,350,435	175,066	4,864	1,530,365	255,527	216,384	2,002,276	
Depreciation of Equipment	-	-	-	-	30,594	-	30,594	
Total Expense by Function	1,350,435	175,066	4,864	1,530,365	286,121	216,384	2,032,870	
Less Expenses Included with Revenues on the Statement of Activities								
Cost of Direct Benefits to Donors	-	-	-	-	-	(49,347)	(49,347)	
TOTAL EXPENSES	\$ 1,350,435	\$ 175,066	\$ 4,864	\$ 1,530,365	\$ 286,121	\$ 167,037	\$ 1,983,523	

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

	\$ 249,525		(1)
	52,731		(2)
	19,724		(3)
	6,400		(4)
	102,800		(5)
	150		(6)
	19,913		(7)
	<u>123,825</u>		(8)
	<u>\$ 575,068</u>		

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

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

	Program			Total	Management and General	Fund Raising	2020	
	Festival	Education	Concessions					
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)
Total Salaries and Related Expenses	514,773	133,633	-	648,406	149,588	171,433	969,427	
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	(6)
Travel	260	12,822	-	13,082	954	100	14,136	
Conferences, Conventions and Meetings	-	-	-	-	6,006	-	6,006	
Administration Professional 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	(7)
Auditions	21,060	946	-	22,006	-	-	22,006	
Production Costs	38,063	37,370	-	75,433	-	-	75,433	(8)
Refreshments and Dinners	-	-	-	-	-	-	-	
Products	-	-	541	541	-	-	541	
Special Events	-	-	-	-	-	14,376	14,376	
Miscellaneous	-	-	-	-	4,199	150	4,349	
Total Expenses Before Depreciation	664,427	189,790	541	854,758	244,987	202,050	1,301,795	
Depreciation of Equipment	-	-	-	-	33,361	-	33,361	
Total Expense by Function	664,427	189,790	541	854,758	278,348	202,050	1,335,156	
Less Expenses Included with Revenues on the Statement of Activities								
Cost of Direct Benefits to Donors	-	-	-	-	-	(14,376)	(14,376)	
TOTAL EXPENSES	\$ 664,427	\$ 189,790	\$ 541	\$ 854,758	\$ 278,348	\$ 187,674	\$ 1,320,780	

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)
	-	(6)
	14,375	(7)
	-	(8)
	<u>\$ 378,499</u>	

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

PENNSYLVANIA SHAKESPEARE FESTIVAL
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	<u>\$ 1,161,053</u>	<u>\$ 280,435</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	30,594	33,361
Contributions Restricted for Permanent Endowment and Capital Campaign	(21,000)	(61,000)
Realized and Unrealized (Gain) Loss on Investments	(1,030,824)	(383,179)
(Increase) Decrease in Assets:		
Accounts Receivable	4,006	14,381
Contributions Receivable	29,921	55,063
Deferred Expenses	-	3,660
Deferred Expenses - Education	(5,718)	40,132
Due from DeSales University	-	4,016
Inventory	780	(3,300)
Increase (Decrease) in Liabilities:		
Accounts Payable	14,275	(15,065)
Deferred Revenue	306,133	47,708
Deferred Revenue - Education	20,100	(30,735)
Due to DeSales University	(42,365)	46,159
Total Adjustments	<u>(694,098)</u>	<u>(248,799)</u>
Net Cash Provided by Operating Activities	<u>466,955</u>	<u>31,636</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(29,507)	(45,116)
Sale (Purchase) of Investments, Net	<u>46,404</u>	<u>51,510</u>
Net Cash Provided by Investing Activities	<u>16,897</u>	<u>6,394</u>
Cash Flows from Financing Activities		
Contributions Restricted for Permanent Endowment and Capital Campaign	<u>21,000</u>	<u>61,000</u>
Net Cash Provided by Financing Activities	<u>21,000</u>	<u>61,000</u>
Net Increase in Cash and Cash Equivalents	504,852	99,030
Cash and Cash Equivalents at Beginning of Year	<u>648,538</u>	<u>549,508</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,153,390</u></u>	<u><u>\$ 648,538</u></u>
Supplemental Cash Flows Information		
In-kind Contributions - Special Events	<u>\$ 1,680</u>	<u>\$ -</u>
In-kind Contributions - Facilities, Services, and Supplies	<u>\$ 575,068</u>	<u>\$ 378,499</u>
Vehicle Acquired under Right-of-Use Operating Lease	<u>\$ 19,197</u>	<u>\$ -</u>

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

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

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 1,000,319 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, 2021 and 2020

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, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Revenue from Contracts with Customers

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.

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 and 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, 2021 and 2020

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.

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.

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.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

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 operating right-of-use asset and 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 for the year ended September 30, 2021 includes \$32,123 for gift certificates and advertising deferred to the next fiscal year and \$321,718 which is a portion of government funds received from the Shuttered Venue Operators Grant program. The Organization intends to spend these funds in the subsequent fiscal year.

Deferred revenue for the year ended September 30, 2020 includes \$47,708 for gift certificate, 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 and the performance delivery is satisfied.

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, 2021 and 2020 was \$98,005 and \$72,947, 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.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

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, 2021 was approximately \$912,872.

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, 2021 and 2020.

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.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

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 2021 or 2020.

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.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Endowment Net Assets (Continued)

Endowment Spending Policy: The Organization follows an endowment investment return spending policy that 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.

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 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 the fiscal year ended September 30, 2020, the COVID-19 outbreak had an adverse impact on the Organization's operations. For the fiscal year ended September 30, 2021, the Organization was open but not at full 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, 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.

As a response to COVID-19, 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 shuttered venues and production companies, administered by the Small Business Administration's (SBA) Office of Disaster Assistance. Eligible entities could receive up to \$10 million. Grants were calculated as the lesser of 45% of gross earned revenue or \$10 million. Grantees are not required to repay the funds as long as they are expended for eligible costs incurred between March 1, 2020 and December 31, 2021, or June 30, 2022, if the entity received the Supplemental Phase SVOG funds.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Coronavirus Disease (COVID-19) (Continued)

The Organization received \$514,749 on July 12, 2021, as part of Phase 1 of the SVOG. The Organization was awarded an additional \$257,374 in September 2021, as part of the Supplemental Phase of the SVOG, which was received in November 2021. As of September 30, 2021, the Organization has spent \$193,031 of the Phase 1 award on eligible payroll costs and accordingly has recorded the amount spent as government grant revenue in the accompanying statement of activities. The remaining Phase 1 award of \$321,718 is included as deferred revenue in the accompanying statement of financial position as of September 30, 2021. The remaining Phase 1 award and the supplemental award will be recognized in revenue during the SVOG grant award budget period in fiscal year ending September 30, 2022, as the grants are expended on eligible costs.

The Organization also received COVID-19 relief funding in the amount of \$87,918 from PA Department of Community and Economic Development (DCED) and \$100,000 from Lehigh County through state and county grant programs.

Subsequent Events

Management has evaluated subsequent events through March 10, 2022, the date on which the financial statements were available to be issued.

New Accounting Standards Adopted

Effective October 1, 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09 (Topic 606): *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"). This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. The core principle of ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. ASC 606 required entities to make new judgements and estimates and provide expanded disclosures about revenue.

Refer to *Revenues from Contracts with Customers* within Note 2 for further discussion on the Organization's accounting policies for revenue sources within the scope of ASC 606.

Effective October 1, 2020, the Organization adopted FASB ASU 2018-13 (Topic 820): *Fair Value Measurements*, which provides for changes to the disclosure requirements for recurring and nonrecurring fair value measurements, including changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty.

Effective October 1, 2020, the Organization adopted FASB ASU 2016-02 (Topic 842): *Leases*. Topic 842 was issued to increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the Statements of Financial Position and disclosing key information about leasing arrangements. Under the provisions of Topic 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the Statements of Financial Position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the leasing activities.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

New Accounting Standards Adopted (Continued)

The Organization elected the option to apply the transition requirements at the effective date of October 1, 2020, which allows the effects of initially applying Topic 842 to be recognized as a cumulative effect adjustment to net assets without donor restrictions in the period of adoption. Consequently, the financial statements and disclosures required under Topic 842 have not been updated as of and for the year ended September 30, 2020. The Organization also elected the package of practical expedients, which permits the Organization to not reassess prior conclusions about lease identification, classification and initial direct costs and to account for the lease and nonlease components of such as maintenance as a single lease component. In addition, the Organization elected the short-term lease recognition exemption for all leases that qualify under Topic 842.

The most significant effects of the adoption of Topic 842 on the Organization's financial statements relate to the recognition of right-to-use assets recorded in accounts receivable and other assets and operating lease obligations recorded in the Statements of Financial Position and providing new disclosures about leasing activities. Upon adoption, the Organization recognized operating lease obligations of approximately \$19,197 based on the present value of the remaining minimum rental payments as determined in accordance with Topic 842 for leases that had historically been accounted for as operating leases under Topic 840. The Organization recognized the corresponding right-of-use assets based on the operating lease obligations. There was no impact on beginning net assets as of October 1, 2020.

New Accounting Standard Not Yet Adopted

During September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU 2020-07 is effective for the Organization in fiscal year 2022 and is to be applied on a retrospective basis. The Organization is currently assessing the effect that ASU 2020-07 will have on its financial statements.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

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>2021</u>	<u>2020</u>
In One Year or Less	\$ 42,465	\$ 48,445
Between One and Five Years	62,520	93,540
Greater than Five Years	-	-
Gross Contributions Receivable	<u>104,985</u>	<u>141,985</u>
Less: Unamortized Discount (discount rate of 1.5%) and Allowance for Uncollectible Amounts	<u>(17,698)</u>	<u>(24,777)</u>
Total Net Contributions Receivable	<u>\$ 87,287</u>	<u>\$ 117,208</u>

Presented in the accompanying Statements of Financial Position as:

Contributions Receivable - Current	\$ 36,115	\$ 41,045
Contributions Receivable - Long-term	<u>51,172</u>	<u>76,163</u>
	<u>\$ 87,287</u>	<u>\$ 117,208</u>

4. Property and Equipment

Property and equipment at September 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Furniture and Equipment	\$ 77,636	\$ 53,441
Technology Equipment	204,875	200,605
Vehicles	<u>28,773</u>	<u>28,773</u>
	311,284	282,819
Less: Accumulated Depreciation	<u>(216,856)</u>	<u>(187,304)</u>
Total Property and Equipment, Net	<u>\$ 94,428</u>	<u>\$ 95,515</u>

Depreciation charged to expense was \$30,594 and \$33,361 for the years ended September 30, 2021 and 2020, respectively.

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

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.

	<u>2021</u>		<u>2020</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash and Cash Equivalents	\$ 105,257	\$ 105,257	\$ 89,648	\$ 89,648
U.S. Government Obligations	219,735	221,251	106,331	101,094
Corporate Bonds	735,963	734,247	460,495	449,916
Equity Securities	4,708,212	3,506,226	4,007,440	3,208,693
Asset Backed Securities	12,016	12,157	104,625	103,309
Mutual Funds	96,542	94,856	189,409	186,771
Land	178,035	389,134	185,586	391,651
Alternative Investments	850,262	584,197	778,068	591,714
Total Investments	<u>\$ 6,906,022</u>	<u>\$ 5,647,325</u>	<u>\$ 5,921,602</u>	<u>\$ 5,122,796</u>

The components of total investment return are reflected below. Investment return for the years ended September 30, 2021 and 2020 is net of investment management and custodian expenses of approximately \$31,200 and \$26,700, respectively.

	<u>2021</u>	<u>2020</u>
Investment Earnings	\$ 105,217	\$ 108,090
Net Realized and Unrealized Gain (Loss)	<u>1,030,824</u>	<u>383,179</u>
Total Investment Return	<u>\$ 1,136,041</u>	<u>\$ 491,269</u>

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

	<u>2021</u>	<u>2020</u>
Operating:		
Endowment Spending Distribution	\$ 122,620	\$ 170,950
Endowment Spending Distribution - Education	<u>50,000</u>	<u>49,650</u>
	<u>172,620</u>	<u>220,600</u>
Non Operating:		
Endowment Earnings Greater (Less) than Endowment Spending Policy	503,530	40,946
Unrealized Net Gain (Loss) on Investments	<u>459,891</u>	<u>229,723</u>
	<u>963,421</u>	<u>270,669</u>
Total Investment Return	<u>\$ 1,136,041</u>	<u>\$ 491,269</u>

The spending distribution was 3-5% of the respective endowment in 2021 and 2020.

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, 2021 and 2020**

5. Investments - Long Term (Continued)

The following valuation techniques were used to measure the fair value of investments as of September 30, 2021 and 2020:

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, 2021 are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge Funds	\$ 650,882	\$ -	Various	90-95 days
Managed Futures	145,846	-	Monthly	3 days
Private Equity Funds	<u>53,534</u>	<u>205,933</u>	Liquid	
	<u>\$ 850,262</u>	<u>\$ 205,933</u>		

The investment strategies as of September 30, 2020 are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption 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>		

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

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>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 105,257	\$ -	\$ -	\$ 105,257
U.S. Government Obligations	219,735	-	-	219,735
U.S. Large-Cap Equities	2,296,086	-	-	2,296,086
U.S. Mid-Cap Equities	264,121	-	-	264,121
U.S. Small-Cap Equities	257,601	-	-	257,601
International Equities - Emerging	409,009	-	-	409,009
International Equities - Developed	1,481,395	-	-	1,481,395
Mutual Funds - Fixed Income	96,542	-	-	96,542
Corporate Bonds	-	735,963	-	735,963
Mortgage and Asset Backed Securities	-	12,016	-	12,016
Land	-	178,035	-	178,035
Total Investments by Valuation Hierarchy	<u>5,129,746</u>	<u>926,014</u>	<u>-</u>	<u>6,055,760</u>
Alternative Investments (measured at net asset value)				<u>850,262</u>
Total Investments				<u>\$ 6,906,022</u>
<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>	<u>5,143,534</u>
Alternative Investments (measured at net asset value)				<u>778,068</u>
Total Investments				<u>\$ 5,921,602</u>

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

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 statement of financial position at September 30, 2021 as follows:

Other Assets:	
Right-of-use Asset	\$ 19,197
Current Liabilities:	
Operating Lease Liability	\$ 6,067
Other Liabilities:	
Operating Lease Liability, Non-current	13,130
	\$ 19,197

Future minimum lease payments under operating lease at September 30, 2021 are as follows:

	Operating
Years ending September 30:	
2022	\$ 6,900
2023	6,900
2024	6,900
Total	20,700
Less: Amount Representing Interest	1,503
Present Value of Net Minimum Lease Payments	\$ 19,197

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

6. Leases (Continued)

Total lease costs are comprised of the following in 2021:

Lease Cost:	
Operating Lease Cost	\$ 6,900
Short-term Lease Cost	2,700
Other Information:	
Right-of-use Asset Obtained in Exchange for New Operating Lease Liability	\$ 19,197
Weighted-average Remaining Lease Term	2-5 years
Weighted-average Discount Rate	5.25%

7. 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>2021</u>	<u>2020</u>
Donated Facilities:		
Theater Facilities	\$ 56,000	\$ -
Office Facilities	46,800	45,600
Artist Housing	123,525	-
	<u>226,325</u>	<u>45,600</u>
Personnel and Related Benefits	<u>321,980</u>	<u>311,729</u>
	<u>\$ 548,305</u>	<u>\$ 357,329</u>

The University also contributed cash of \$5,000 in 2020.

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 Statement of Financial Position date:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,153,390	\$ 648,538
Accounts Receivable	17,973	21,979
Contributions Receivable	36,115	41,045
Less: With Donor Restrictions	<u>(250,115)</u>	<u>(140,045)</u>
	<u>\$ 957,363</u>	<u>\$ 571,517</u>

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

8. Liquidity and Availability (Continued)

In addition to financial assets available to meet general expenditures over the next 12 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 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 \$280,000 of appropriations for spending for the year ended September 30, 2022.

The board-designated endowment of \$562,846 as of September 30, 2021 is subject to an annual spending rate of up to 5%. 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>2021</u>	<u>2020</u>
<u>Without Donor Restrictions:</u>		
Board Designated Endowment	\$ 562,846	\$ 483,937
Undesignated	<u>617,421</u>	<u>509,219</u>
Total Net Assets Without Donor Restriction	<u>\$ 1,180,267</u>	<u>\$ 993,156</u>

PENNSYLVANIA SHAKESPEARE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2021 and 2020

9. Net Assets (Continued)

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

	<u>2021</u>	<u>2020</u>
<u>Purpose or Time Restricted:</u>		
Education Program, Season #21	\$ 50,000	\$ -
Education Program, Season #20	-	49,650
Education Program, Season #19	-	7,000
Education Program, Season #18	-	10,000
"Campaign for Pennsylvania Shakespeare Festival"	32,429	45,482
Future Festival Sponsorships and Activities	214,000	99,000
<u>Future Operations:</u>		
General Festival Operations	880,788	365,146
"WillPower" Education Program	317,434	144,879
PSF Interns/Apprentices	161,788	68,347
Other Programs	176,781	73,907
	<u>\$ 1,833,220</u>	<u>\$ 863,411</u>
 <u>Restricted in Perpetuity:</u>		
"Campaign for Pennsylvania Shakespeare Festival" - Endowment	\$ 54,859	\$ 71,726
General Festival Operations	1,474,738	1,474,738
General Festival Operations - Campaign	1,252,749	1,251,749
"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	76,300	76,300
Other Programs - Campaign	452,253	432,253
	<u>\$ 4,861,244</u>	<u>\$ 4,857,111</u>
	<u>\$ 6,694,464</u>	<u>\$ 5,720,522</u>

Net assets with donor restrictions released from purpose or time restrictions in the years ended September 30, 2021 and 2020 were \$82,650 and \$95,960, 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, 2021 and 2020

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:

	Without Donor Restrictions	With Donor Restrictions		Total Net Endowment Assets
		Purpose	Perpetuity	
<u>2021</u>				
Donor-Restricted Endowment Funds	\$ -	\$ 50,000	\$ 4,861,244	\$ 4,911,244
Board-Designated Endowment Funds	562,846	-	-	562,846
Total Funds	<u>\$ 562,846</u>	<u>\$ 50,000</u>	<u>\$ 4,861,244</u>	<u>\$ 5,474,090</u>
<u>2020</u>				
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>

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

	Without Donor Restrictions	With Donor Restrictions		Total Net Endowment Assets
		Purpose	Perpetuity	
<u>2021</u>				
Endowment Net Assets, Beginning of Year	\$ 483,937	\$ 66,650	\$ 4,857,111	\$ 5,407,698
Contributions	-	-	4,133	4,133
Investment Income	122,620	50,000	-	172,620
Net Appreciation	78,909	-	-	78,909
Net Appropriated for Expenditure	(122,620)	(66,650)	-	(189,270)
Endowment Net Assets, End of Year	<u>\$ 562,846</u>	<u>\$ 50,000</u>	<u>\$ 4,861,244</u>	<u>\$ 5,474,090</u>
<u>2020</u>				
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>