

**PENNSYLVANIA SHAKESPEARE FESTIVAL**

**FINANCIAL REPORT**

**September 30, 2024**



**BUCKNOLISICKY.COM**

*A Professional Corporation*

**Certified Public Accountants | Business Consultants**

# **PENNSYLVANIA SHAKESPEARE FESTIVAL**

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**September 30, 2024 and 2023**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Pennsylvania Shakespeare Festival (a nonprofit organization), which comprise the statements of financial position as of September 30, 2024, and the related statements of activities, functional expenses and cash flows for the year 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, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 audit. 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.

## Auditors' 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 auditors' 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.

*Buckno Lisicky & Co PC*

Allentown, Pennsylvania  
January 17, 2025

**PENNSYLVANIA SHAKESPEARE FESTIVAL****Statements of Financial Position****September 30, 2024****ASSETS****CURRENT ASSETS**

Cash and cash equivalents	\$ 536,762
Accounts receivable	3,500
Contributions receivable	3,570
Prepaid expenses	4,806
Deferred expenses	149,751
Inventory	3,895
Other current assets	11,660
<b>TOTAL CURRENT ASSETS</b>	<b>713,944</b>

**NONCURRENT ASSETS**

Contributions receivable, long-term	2,974
Investments, at fair value	7,162,103
Property and equipment, net	50,511
<b>TOTAL NONCURRENT ASSETS</b>	<b>7,215,588</b>

<b>TOTAL ASSETS</b>	<b>\$ 7,929,532</b>
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**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts payable	\$ 16,848
Accrued expenses	1,828
Due to Desales University	31,728
Deferred revenue	71,901
<b>TOTAL CURRENT LIABILITIES</b>	<b>122,305</b>

**NET ASSETS**

Without donor restrictions	1,017,501
With donor restrictions	6,789,726
<b>TOTAL NET ASSETS</b>	<b>7,807,227</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,929,532</b>
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**PENNSYLVANIA SHAKESPEARE FESTIVAL****Statement of Activities****Year Ended September 30, 2024**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>OPERATING REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 658,967	\$ -	\$ 658,967
Governmental grants	79,020	-	79,020
Contributed non-financial assets	916,251	-	916,251
Special events revenue	182,914	-	182,914
Less: direct costs associated with special events	(99,458)	-	(99,458)
Education income	103,935	-	103,935
Ticket sales	751,050	-	751,050
Concessions	33,305	-	33,305
Advertising	25,260	-	25,260
Other income	2,693	-	2,693
Interest and dividends	6,963	-	6,963
Endowment spending distribution	354,400	84,100	438,500
Net assets released from restrictions	171,637	(171,637)	-
<b>TOTAL OPERATING REVENUES AND OTHER SUPPORT</b>	<b>3,186,937</b>	<b>(87,537)</b>	<b>3,099,400</b>
<b>EXPENSES</b>			
Program services:			
Festival	2,323,978	-	2,323,978
Education	190,525	-	190,525
Concessions	24,161	-	24,161
Supporting services:			
Management and general	436,613	-	436,613
Fund raising	248,924	-	248,924
<b>TOTAL EXPENSES</b>	<b>3,224,201</b>	<b>-</b>	<b>3,224,201</b>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>(37,264)</b>	<b>(87,537)</b>	<b>(124,801)</b>
<b>NONOPERATING ACTIVITY</b>			
Endowment withdrawal	(35,500)	(403,000)	(438,500)
Endowment investment income, net	109,583	1,265,953	1,375,536
<b>TOTAL NONOPERATING ACTIVITY</b>	<b>74,083</b>	<b>862,953</b>	<b>937,036</b>
<b>CHANGE IN NET ASSETS</b>	<b>36,819</b>	<b>775,416</b>	<b>812,235</b>
NET ASSETS, beginning	980,682	6,014,310	6,994,992
<b>NET ASSETS, ending</b>	<b>\$ 1,017,501</b>	<b>\$ 6,789,726</b>	<b>\$ 7,807,227</b>

**PENNSYLVANIA SHAKESPEARE FESTIVAL**
**Statement of Functional Expenses**
**Year Ended September 30, 2024**

	Program Services			Supporting Services			
	Festival	Education	Concessions	Management and General	Fund Raising	Total	
Personnel:							
Salaries and wages	\$ 1,073,747	\$ 107,055	\$ -	\$ 200,755	\$ 165,863	\$ 1,547,420	(1)
Payroll taxes	69,734	9,875	-	21,819	13,227	114,655	(2)
Employee benefits	183,001	10,716	-	37,207	53,992	284,916	(3)
	<u>1,326,482</u>	<u>127,646</u>	<u>-</u>	<u>259,781</u>	<u>233,082</u>	<u>1,946,991</u>	
Other expenses:							
Professional fees	28,245	-	-	28,245	-	56,490	(8)
Supplies	-	-	-	15,394	-	15,394	
Cultivation	-	-	-	-	2,055	2,055	
Telephone	-	554	-	-	-	554	
Postage and shipping	6,939	-	-	3,879	2,948	13,766	
Occupancy	90,000	-	-	50,400	-	140,400	(4)
Equipment rental and maintenance	-	-	-	2,035	-	2,035	
Printing and publications	42,816	-	-	421	9,633	52,870	(7)
Travel	17,795	11,838	-	724	522	30,879	
Conferences, conventions, meetings	-	-	-	23,807	-	23,807	
Professional development and research	-	-	-	4,527	-	4,527	
Insurance	-	1,308	-	17,385	-	18,693	
Promotion and advertising	199,086	4,005	-	-	234	203,325	(6)
Auditions	10,586	1,224	-	-	-	11,810	
Production costs	602,029	43,950	-	-	-	645,979	(5)
Refreshments and dinners	-	-	15,991	-	-	15,991	
Products	-	-	8,170	-	-	8,170	
Staff recognition	-	-	-	-	450	450	
Miscellaneous	-	-	-	5,037	-	5,037	
Depreciation	-	-	-	24,978	-	24,978	
	<u>997,496</u>	<u>62,879</u>	<u>24,161</u>	<u>176,832</u>	<u>15,842</u>	<u>1,277,210</u>	
	<u>\$ 2,323,978</u>	<u>\$ 190,525</u>	<u>\$ 24,161</u>	<u>\$ 436,613</u>	<u>\$ 248,924</u>	<u>\$ 3,224,201</u>	

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

\$ 300,294	(1)
23,193	(2)
77,715	(3)
140,400	(4)
311,738	(5)
55,219	(6)
250	(7)
<u>7,442</u>	(8)
<u>916,251</u>	

## PENNSYLVANIA SHAKESPEARE FESTIVAL

### Statement of Cash Flows

Year Ended September 30, 2024

#### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 812,235
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	24,978
Amortization of operating lease right of use asset	6,737
Contributions to long-term investments	(20,300)
Realized and unrealized gains on investments	(1,269,376)
Interest and dividends reinvested	(139,571)
Investment fees	33,411
(Increase) decrease in assets:	
Accounts receivable	2,531
Contributions receivable	26,892
Prepaid expenses	9,034
Deferred expenses	(42,468)
Due from Desales University	106,313
Inventory	(1,652)
Other current assets	(4,927)
Increase (decrease) in liabilities:	
Accounts payable	14,918
Accrued expenses	766
Due to Desales University	31,728
Deferred revenue	5,002
Operating lease liability	(6,737)
NET CASH USED IN OPERATING ACTIVITIES	<u>(410,486)</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(4,460)
Distributions from endowments	<u>438,500</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>434,040</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** **23,554**

CASH AND CASH EQUIVALENTS, beginning	<u>513,208</u>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<b><u>\$ 536,762</u></b>

#### SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY

Contribution of property, materials and services	<u>\$ 916,251</u>
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#### SUPPLEMENTAL CASH FLOW INFORMATION

Operating cash flows from operating leases	<u>\$ 6,900</u>
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## PENNSYLVANIA SHAKESPEARE FESTIVAL

### Notes to the Financial Statements

September 30, 2024

#### NOTE 1. NATURE OF ACTIVITIES

The Official Shakespeare Festival of the Commonwealth of Pennsylvania, the Pennsylvania Shakespeare Festival's (PSF) mission is to enrich, engage, entertain, and inspire the widest possible audience through professional theatrical productions of classic, contemporary, and Shakespearean works, and through educational engagement and mentorship programs. A not-for-profit, professional regional theatre, the Pennsylvania Shakespeare Festival has entertained over 1,085,075 patrons from 50 states since 1992.

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

The Pennsylvania Shakespeare Festival is a wholly owned subsidiary of DeSales University (the "University"), a Pennsylvania not-for-profit corporation.

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

##### **Basis of Accounting**

The financial statements of Pennsylvania Shakespeare Festival have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), including the nonprofit standards defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 958), Not-for-Profit Entities. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

##### **Financial Statement Presentation**

Pennsylvania Shakespeare Festival's financial statement presentation follows the reporting provisions applicable to not-for-profit entities. Under these provisions, PSF is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified as follows:

*Net assets without donor restrictions* – not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the actions of the Board of Directors.

*Net assets with donor restrictions* – subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction

## **PENNSYLVANIA SHAKESPEARE FESTIVAL**

### **Notes to the Financial Statements**

**September 30, 2024**

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expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

#### **Cash and 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.

#### **Valuation of Investments at Fair Value**

Pennsylvania Shakespeare Festival complies with the provisions of FASB ASC 820, Fair Value Measurements and Disclosures. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of Pennsylvania Shakespeare Festival. Unobservable inputs reflect Pennsylvania Shakespeare Festival's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that PSF has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

#### **Accounts Receivable**

These receivables are stated at unpaid balances, less allowance for credit losses. These receivables are comprised of amounts due from counties, states, and private donors. The allowance for credit losses provides for the estimated amount of receivables that may not be collected. The allowance for credit losses is based on historical loss experience adjusted for current conditions, and reasonable and supportable forecasts of future economic conditions. Pennsylvania Shakespeare Festival evaluates the adequacy of this allowance by considering factors such as historical experience, the current receivables

## PENNSYLVANIA SHAKESPEARE FESTIVAL

### Notes to the Financial Statements

September 30, 2024

aging, current economic conditions, and forecasts that might impact customers' ability to pay. As of September 30, 2024, management has determined that no allowance for credit loss is required.

#### Property and Equipment

Purchased property and equipment are carried at cost, less accumulated depreciation. Maintenance and repairs that neither materially add to the value of property nor appreciably prolong its life are charged to expense. It is Pennsylvania Shakespeare Festival's policy to capitalize costs in excess of \$500, including items acquired by gift. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years.

#### Revenue Recognition

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

**Ticket Sales** – The Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival defers all WillPower revenue and related expenses until the conclusion of the event, at which time the Pennsylvania Shakespeare Festival recognizes the activity.

**Special Events** – The Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival recognizes

## **PENNSYLVANIA SHAKESPEARE FESTIVAL**

### **Notes to the Financial Statements**

**September 30, 2024**

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the contribution at the time of receipt, and the additional revenue at time of delivery.

#### **Contributions**

Support revenue is generally recognized at the point in time when the donation or sponsorship is received.

Contribution and grants are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which support is recognized.

#### **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.

#### **Income taxes**

The Internal Revenue Service recognizes Pennsylvania Shakespeare Festival as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Pennsylvania Shakespeare Festival's tax-exempt purpose is subject to taxation as unrelated business income.

Pennsylvania Shakespeare Festival continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings in determining any uncertain tax positions.

Pennsylvania Shakespeare Festival files a Return of Organization Exempt from Income Tax annually. Pennsylvania Shakespeare Festival's returns for 2024, 2023 and 2022 are subject to examination by the IRS, generally for three years after they were filed.

#### **Inventories**

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

## **PENNSYLVANIA SHAKESPEARE FESTIVAL**

### **Notes to the Financial Statements**

**September 30, 2024**

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#### **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.

#### **Deferred Revenues and Expenses**

Deferred revenue includes gift certificates held for use in the next fiscal year. It also 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.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimations 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.

#### **Functional Expense Allocations**

The costs of providing the various programs, fund raising and other activities have been summarized on a functional basis in statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort.

#### **Concentrations of Credit Risk**

The Pennsylvania Shakespeare Festival maintains its cash accounts at one commercial bank. The Federal Deposit Insurance Corporation ("FDIC") covers \$250,000 for all depository accounts. The amount in excess of insured limits at September 30, 2024 was \$297,731.

## PENNSYLVANIA SHAKESPEARE FESTIVAL

### Notes to the Financial Statements

September 30, 2024

#### Endowment Net Assets

The Pennsylvania Shakespeare Festival's endowment gifts are placed with DeSales University, as agent, and pooled for investment with their endowment funds. The endowment funds will be established so that the principal or corpus of each fund, including reinvested earnings, shall remain to grow in perpetuity. Only a percentage of the investment earnings of the fund shall be available for support of Pennsylvania Shakespeare Festival's programs. The Pennsylvania Shakespeare Festival'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 Pennsylvania Shakespeare Festival owns a proportionate share of the pooled investments and shares in a proportionate amount of the investment earnings, gains, and losses. Therefore, the Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival to retain as a fund of perpetual duration. The Pennsylvania Shakespeare Festival 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 2024.

*Investment Return Objectives and Risk Parameters:* The Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival 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.



## PENNSYLVANIA SHAKESPEARE FESTIVAL

### Notes to the Financial Statements

September 30, 2024

*Strategies for Achieving Objectives:* The Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival 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.

#### **Date of Management's Review**

Pennsylvania Shakespeare Festival has evaluated subsequent events through January 17, 2025, the date which the financial statements were available to be issued. No events or transactions have occurred subsequent to year-end that require recognition or disclosure in the financial statements.

#### **NOTE 3. LIQUIDITY AND AVAILABILITY**

Pennsylvania Shakespeare Festival is supported mainly by community contributions and government grants. Pennsylvania Shakespeare Festival believes that the continuing support, along with assets held as of June 30, 2024 is sufficient to enable Pennsylvania Shakespeare Festival to operate for the coming year.

Financial assets available for general expenditure within one year of the statement of financial position date as of September 30, 2024, comprise the following:

Cash and cash equivalents	\$ 536,762
Accounts receivable	3,500
Contributions receivable	3,570
Less: Net assets with donor restrictions	<u>(203,100)</u>
	<u><u>\$ 340,732</u></u>

In addition to financial assets available to meet general expenditures over the next twelve months, the Pennsylvania Shakespeare Festival receives significant contributions with and without donor restrictions. Contributions and earnings thereon that are restricted for programs which are ongoing, major, and central to its annual operations are considered available to meet cash needs for general expenditures. In addition, the Pennsylvania Shakespeare Festival strives to operate with a balanced budget and anticipates collecting sufficient revenue, principally through event ticket sales, concessions, and special events,

## PENNSYLVANIA SHAKESPEARE FESTIVAL

### Notes to the Financial Statements

September 30, 2024

to cover general expenditures not covered by donor contributions and available endowment earnings.

The Pennsylvania Shakespeare Festival's endowment funds consist of both donor-restricted endowments and board-designated endowments. The Pennsylvania Shakespeare Festival'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 \$446,500 of appropriations for spending for the year ended September 30, 2025.

The board-designated endowment of \$575,477 as of September 30, 2024, is subject to an annual spending rate of up to 7%, effective October 1, 2022. Although the Pennsylvania Shakespeare Festival does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available to be drawn upon if the need arises for liquidity purposes through board resolution.

#### NOTE 4. 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, 2024 are expected to be realized in the following periods:

In One Year or Less	\$ 4,200
Between One and Five Years	<u>3,444</u>
Gross Contributions Receivable	7,644
Less: Allowance for uncollectible amounts	<u>(1,100)</u>
Total Net Contributions Receivable	<u>\$ 6,544</u>

Presented in the accompanying Statements of Financial Position as:

Contributions Receivable - Current	\$ 3,570
Contributions Receivable - Long-term	<u>2,974</u>
	<u>\$ 6,544</u>



## PENNSYLVANIA SHAKESPEARE FESTIVAL

### Notes to the Financial Statements

September 30, 2024

#### NOTE 5. INVESTMENTS

Endowment gifts are placed with DeSales University, as agent, and pooled for investment with their endowment and similar funds. The Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival's proportionate share of investments at September 30, 2024:

	Fair Value	Cost
Cash and Cash Equivalents	\$ 112,740	\$ 112,740
U.S. Government Obligations	160,133	160,422
Corporate Bonds	382,116	375,681
Equity Securities	5,220,742	4,182,796
Asset Backed Securities	26,395	26,290
Mutual Funds	89,562	110,543
Land	187,585	395,869
Alternative Investments	982,830	725,480
Total Investments	<u>\$ 7,162,103</u>	<u>\$ 6,089,821</u>

The components of total investment return, net of investment fees reported in the Statement of Activities as of September 30, 2024 are reflected below:

Interest and dividends	\$ 146,534
Realized gains	498,848
Unrealized gains	770,528
Investment fees	<u>(33,411)</u>
	<u>\$ 1,382,499</u>

The following valuation techniques were used to measure the fair value of investments as of September 30, 2024:

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

## PENNSYLVANIA SHAKESPEARE FESTIVAL

### Notes to the Financial Statements

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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, 2024 are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge funds	\$ 539,382	\$ -	Various	90-95 days
Managed Futures	160,119	-	Monthly	3 days
Private Equity Funds	<u>283,329</u>	<u>138,559</u>	Liquid	
	<u>\$ 982,830</u>	<u>\$ 138,559</u>		

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Pennsylvania Shakespeare Festival 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 Pennsylvania Shakespeare Festival's proportionate share of University held assets measured at fair value as of September 30, 2024:

**PENNSYLVANIA SHAKESPEARE FESTIVAL****Notes to the Financial Statements****September 30, 2024**

	Level 1	Level 2	Level 3	Total
Money Market	\$ 112,740	\$ -	\$ -	\$ 112,740
U.S. Government Obligations	160,133	-	-	160,133
U.S. Large-Cap Equities	2,381,591	-	-	2,381,591
U.S. Mid-Cap Equities	333,940	-	-	333,940
U.S. Small-Cap Equities	303,238	-	-	303,238
International Equities - Emerging	410,995	-	-	410,995
International Equities - Developed	1,790,978	-	-	1,790,978
Mutual Funds - Fixed Income	89,562	-	-	89,562
Corporate Bonds	-	382,116	-	382,116
Mortgage and Asset Backed Securities	-	26,395	-	26,395
Land	-	187,585	-	187,585
	<u>5,583,177</u>	<u>596,096</u>	<u>-</u>	<u>6,179,273</u>
Alternative Investments (measured at net asset value)				<u>982,830</u>
Total Investments				<u>7,162,103</u>

**NOTE 6. PROPERTY AND EQUIPMENT**

Property and equipment as of September 30, 2024 is as follows:

Furniture and Equipment	\$ 82,995
Technology Equipment	217,188
Vehicles	<u>28,773</u>
	328,956
Less accumulated depreciation	<u>(278,445)</u>
Total Property and Equipment, Net	<u>\$ 50,511</u>

Depreciation expense for the year ended September 30, 2024 was \$24,978.

**NOTE 7. RELATED PARTIES**

Pennsylvania Shakespeare Festival is a wholly owned subsidiary of Desales University. As of September 30, 2024, Desales University contributed \$853,340 of non-financial assets. A breakdown of the amount contributed by Desales University is below:

**PENNSYLVANIA SHAKESPEARE FESTIVAL****Notes to the Financial Statements****September 30, 2024**

## Facilities:

Theatre Facilities	\$ 90,000
Office Facilities	50,400
Artist Housing	<u>311,738</u>
	452,138
Personnel and Related Benefits	<u>401,202</u>
	<u>\$ 853,340</u>

As of September 30, 2024, Pennsylvania Shakespeare Festival owed Desales University \$31,728 for monthly transactions paid by Desales University, including salaries and benefits.

**NOTE 8. NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions as of September 30, 2024 consist of the following:

## Without Donor Restrictions:

Board Designated Endowment	\$ 575,477
Undesignated	<u>442,024</u>
Total Net Assets Without Donor Restriction	<u>\$ 1,017,501</u>

**NOTE 9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of September 30, 2024 are available for the following purposes or periods:

**PENNSYLVANIA SHAKESPEARE FESTIVAL****Notes to the Financial Statements****September 30, 2024**

## Purpose or Time Restricted:

Future Festival Sponsorships and Activities	\$ 119,000
Will Power - Education programs	<u>84,100</u>
Total Purpose or Time Restricted	<u>203,100</u>

## Restricted in Perpetuity:

## DeSales University Endowment Funds:

Schubert - General Festival Operations	3,754,255
Will Power - Education programs	1,368,313
Donley Chair - General Festival Operations	66,829
Muse of Fire - General Festival Operations	663,209
Apprentices - PSF Interns	654,824
New Frontiers and Production Excellence	42,497
FreeWill Endowment	<u>36,699</u>
Total Restricted in Perpetuity	<u>6,586,626</u>

Total Net Assets With Donor Restrictions \$ 6,789,726

Net assets with donor restrictions released from purpose or time restrictions during the year ended September 30, 2024 was \$171,637.

Net assets with donor restrictions that are restricted in perpetuity consist of endowment fund assets held by Desales University (contributions receivable and investments) to be held indefinitely. See Note 10 for more information.

**NOTE 10. ENDOWMENTS**

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, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Donor-Restricted Endowment Funds	\$ -	\$ 6,586,626	\$ 6,586,626
Board-Designated Endowment Funds	<u>575,477</u>	<u>-</u>	<u>575,477</u>
	<u>\$ 575,477</u>	<u>\$ 6,586,626</u>	<u>\$ 7,162,103</u>

Changes in endowment net assets for the year ending September 30, 2024 are as follows:

**PENNSYLVANIA SHAKESPEARE FESTIVAL****Notes to the Financial Statements****September 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment Net Assets, Beginning	\$ 501,395	\$ 5,723,673	\$ 6,225,068
Interest and dividends	11,029	128,542	139,571
Realized gains	39,420	459,427	498,847
Unrealized gains	61,773	708,755	770,528
Investment fees	(2,640)	(30,771)	(33,411)
Distributions	<u>(35,500)</u>	<u>(403,000)</u>	<u>(438,500)</u>
Endowment Net Assets, Ending	<u>\$ 575,477</u>	<u>\$ 6,586,626</u>	<u>\$ 7,162,103</u>

**NOTE 11. CONTRIBUTED NON-FINANCIAL ASSETS**

Pennsylvania Shakespeare Festival is the recipient of various contributed non-financial assets every year. During the year ended September 30, 2024, Pennsylvania Shakespeare Festival received an estimated value of \$932,681 in contributed non-financial assets. The amounts are based on the fair market value of the contributed services. Below is a breakdown:

- a) \$853,340 came from donated services from Desales University, it's parent organization. See Note 7 for the detail of the amount.
- b) \$7,442 came from donated auditing services.
- c) \$55,219 came from donated advertising through the radio, billboards, and posters.
- d) \$250 came from donated printing services for appeal solicitation
- e) \$16,430 came from various donated items related to the Gala. (These amounts are included in special revenue revenues and directs costs in the statement of activities.)

**NOTE 12. LEASING ACTIVITIES**

Leases with an initial term of twelve 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.

The Organization leases a vehicle and two storage pods. The leases had initial lease terms of three to five years. The vehicle lease became a month to month lease as of September 30, 2024. 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.

## **PENNSYLVANIA SHAKESPEARE FESTIVAL**

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### **Notes to the Financial Statements**

**September 30, 2024**

Operating lease expense was \$6,900 for the year ended September 30, 2024. Short-term lease expense was \$6,900 for the year ended September 30, 2024.