WILLIAMSTOWN THEATRE FOUNDATION, INC.
Financial Statements
December 31, 2022 and 2021
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Williamstown Theatre Foundation, Inc.
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ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Williamstown Theatre Foundation, Inc.:

Opinion

We have audited the financial statements of Williamstown Theatre Foundation, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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 ("GAAS"). 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 the Organization 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of January 1, 2022, the Organization adopted new accounting guidance in accordance with Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the Organization’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 the Organization’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.

WithumSmith+Brown, PC

September 21, 2023

Williamstown Theatre Foundation, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash and cash equivalents	$ 979,330	$ -	$ 979,330	$ 2,242,536	$ 500,000	$ 2,742,536
Accounts receivable	1,817	-	1,817	24,763	-	24,763
Unconditional promises to give	155,825	-	155,825	74,435	-	74,435
Prepaid expenses	22,256	-	22,256	47,804	-	47,804
Employee retention tax credit receivable	-	-	-	82,150	-	82,150
Total current assets	1,159,228	-	1,159,228	2,471,688	500,000	2,971,688
Restricted cash and cash equivalents	139,896	-	139,896	139,474	-	139,474
Investments	1,430,269	4,794,773	6,225,042	1,385,240	5,607,866	6,993,106
Property and equipment, at cost, net of accumulated depreciation and amortization	1,334,388	-	1,334,388	1,384,531	-	1,384,531
Right-of-use asset - operating, net	862,212	-	862,212	-	-	-
Deposit	26,055	-	26,055	26,055	-	26,055
Total assets	$ 4,952,048	$ 4,794,773	$ 9,746,821	$ 5,406,988	$ 6,107,866	$ 11,514,854
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	$ 349,500	$ -	$ 349,500	$ 313,843	$ -	$ 313,843
Deferred revenue	44,775	-	44,775	82,434	-	82,434
Current portion of lease liabilities - operating	123,977	-	123,977	-	-	-
Total current liabilities	518,252	-	518,252	396,277	-	396,277
Lease liabilities - operating, net of current portion	765,487	-	765,487	-	-	-
Total liabilities	1,283,739	-	1,283,739	396,277	-	396,277
Net assets						
Without donor restrictions						
Property and equipment, net	1,334,388	-	1,334,388	1,384,531	-	1,384,531
Board-designated	500,000	-	500,000	-	-	-
Undesignated net assets	1,833,921	-	1,833,921	3,626,180	-	3,626,180
With donor restrictions	-	4,794,773	4,794,773	-	6,107,866	6,107,866
Total net assets	3,668,309	4,794,773	8,463,082	5,010,711	6,107,866	11,118,577
Total liabilities and net assets	$ 4,952,048	$ 4,794,773	$ 9,746,821	$ 5,406,988	$ 6,107,866	$ 11,514,854

The Notes to Financial Statements are an integral part of these statements.

Williamstown Theatre Foundation, Inc.
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities						
Public support and other revenue						
Public support						
Contributions of financial assets	$ 1,834,437	$ 87,857	$ 1,922,294	$ 1,670,632	$ 501,100	$ 2,171,732
Other government grants	47,300	-	47,300	205,800	-	205,800
Contributions of non-financial assets	8,866	-	8,866	30,775	-	30,775
Fundraising event	405,575	-	405,575	501,405	-	501,405
Less: Direct costs of fundraising event	(124,910)	-	(124,910)	(20,882)	-	(20,882)
Fundraising event, net	280,665	-	280,665	480,523	-	480,523
Spending appropriations	179,220	-	179,220	-	-	-
Shuttered venue operators grant revenue	-	-	-	1,149,294	-	1,149,294
Net assets released from time and purpose restrictions	500,000	(500,000)	-	595,565	(595,565)	-
Total public support	2,850,488	(412,143)	2,438,345	4,132,589	(94,465)	4,038,124
Other revenue						
Ticket sales and service charges	701,143	-	701,143	375,656	-	375,656
Program advertising	44,455	-	44,455	27,163	-	27,163
Rental income	42,827	-	42,827	70,453	-	70,453
Other income	34,691	-	34,691	15,341	-	15,341
Merchandise income	8,050	-	8,050	265	-	265
Royalties income	4,234	-	4,234	5,353	-	5,353
Presenter fees	-	-	-	20,000	-	20,000
Employee retention tax credit income	-	-	-	1,005,477	-	1,005,477
Production enhancement	-	-	-	650,000	-	650,000
Total public support and other revenue	3,685,888	(412,143)	3,273,745	6,302,297	(94,465)	6,207,832
Expenses						
Program services	3,658,279	-	3,658,279	3,669,797	-	3,716,980
Supporting services						
Management and general	466,620	-	466,620	670,277	-	641,443
Fundraising	449,917	-	449,917	259,391	-	241,042
Total supporting services	916,537	-	916,537	929,668	-	882,485
Total expenses	4,574,816	-	4,574,816	4,599,465	-	4,599,465
Changes in net assets before non-operating activities	(888,928)	(412,143)	(1,301,071)	1,702,832	(94,465)	1,608,367
Non-operating activities						
Investment income (loss), net	(453,474)	(721,730)	(1,175,204)	206,249	802,339	1,008,588
Spending appropriations	-	(179,220)	(179,220)	-	-	-
Employee retention tax credit income	-	-	-	73,889	-	73,889
Shuttered venue operators grant revenue	-	-	-	871,940	-	871,940
Total non-operating activities	(453,474)	(900,950)	(1,354,424)	1,152,078	802,339	1,954,417
Changes in net assets	(1,342,402)	(1,313,093)	(2,655,495)	2,854,910	707,874	3,562,784
Net assets						
Beginning of year	5,010,711	6,107,866	11,118,577	2,155,801	5,399,992	7,555,793
End of Year	$ 3,668,309	$ 4,794,773	$ 8,463,082	$ 5,010,711	$ 6,107,866	$ 11,118,577

The Notes to Financial Statements are an integral part of these statements.

Williamstown Theatre Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Cost of Direct Benefits to Donors	Total Expenses
Salaries and artistic fees	$ 1,708,018	$ 221,821	$ 288,367	$ 510,188	$ -	$ 2,218,206
Employee benefits	122,756	15,942	20,725	36,667	-	159,423
Payroll taxes	113,946	14,798	19,238	34,036	-	147,982
Production costs	701,862	-	-	-	79,001	780,863
Scripts and royalties	35,326	-	-	-	-	35,326
Advertising and promotion	100,949	-	-	-	-	100,949
Program printing	15,219	-	-	-	8,883	24,102
Meetings and hospitality	33,028	-	15,624	15,624	-	48,652
Office supplies and expenses	15,978	2,075	2,698	4,773	-	20,751
Telephone	10,496	1,362	1,771	3,133	-	13,629
Insurance	94,774	12,308	16,001	28,309	-	123,083
Credit card and bank fees	31,445	-	-	-	-	31,445
Utilities, repairs and maintenance	107,969	14,022	18,229	32,251	-	140,220
Housing, office and storage lease	258,733	8,418	31,874	40,292	-	299,025
Transportation and hauling	96,521	-	-	-	-	96,521
Professional fees	129,344	165,236	21,560	186,796	37,026	353,166
Miscellaneous	43,305	5,624	7,311	12,935	-	56,240
Depreciation and amortization	38,610	5,014	6,519	11,533	-	50,143
	3,658,279	466,620	449,917	916,537	124,910	4,699,726
Less expenses included with revenues on the statements of activities						
Direct costs of fundraising event	-	-	-	-	(124,910)	(124,910)
Total expenses	$ 3,658,279	$ 466,620	$ 449,917	$ 916,537	$ -	$ 4,574,816

The Notes to Financial Statements are an integral part of this statement.

Williamstown Theatre Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Cost of Direct Benefits to Donors	Total Expenses
Salaries and artistic fees	$ 2,118,531	$ 284,193	$ 180,850	$ 465,043	$ -	$ 2,583,574
Employee benefits	198,320	26,604	16,930	43,534	-	241,854
Payroll taxes	149,864	20,104	12,793	32,897	-	182,761
Production costs	501,878	-	-	-	8,657	510,535
Scripts and royalties	21,634	-	-	-	-	21,634
Advertising and promotion	106,844	-	-	-	-	106,844
Program printing	11,738	-	-	-	4,525	16,263
Meetings and hospitality	-	-	5,736	5,736	-	5,736
Office supplies and expenses	11,215	1,366	869	2,235	-	13,450
Telephone	11,173	1,499	954	2,453	-	13,626
Insurance	49,780	6,678	4,249	10,927	-	60,707
Credit card and bank fees	29,113	-	-	-	-	29,113
Utilities, repairs and maintenance	70,675	9,481	6,033	15,514	-	86,189
Housing, office and storage lease	43,677	23,596	15,016	38,612	-	82,289
Transportation and hauling	107,057	-	-	-	-	107,057
Professional fees	171,480	287,793	10,257	298,050	7,700	477,230
Miscellaneous	27,843	3,735	2,377	6,112	-	33,955
Depreciation and amortization	38,975	5,228	3,327	8,555	-	47,530
	3,669,797	670,277	259,391	929,668	20,882	4,620,347
Less expenses included with revenues on the statements of activities						
Direct costs of fundraising event	-	-	-	-	(20,882)	(20,882)
Total expenses	$ 3,669,797	$ 670,277	$ 259,391	$ 929,668	$ -	$ 4,599,465

The Notes to Financial Statements are an integral part of this statement.

Williamstown Theatre Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating and non-operating activities		
Changes in net assets	$ (2,655,495)	$ 3,562,784
Adjustments to reconcile change in net assets to net cash (used in) provided by operating and non-operating activities		
Depreciation and amortization expense	50,143	47,530
Donated securities	(6,981)	(21,885)
Endowment contributions	(87,857)	(100)
Unrealized loss (gain) on investments	1,225,458	(921,276)
Realized loss (gain) on sale of investments	50,670	(19,302)
Amortization of right-of-use asset - operating	123,386	-
Change in assets and liabilities		
Accounts receivable	22,946	42,692
Unconditional promises to give	(81,390)	(74,435)
Prepaid expenses	25,548	(4,124)
Deposit	-	(26,055)
Employee retention tax credit receivable	82,150	(82,150)
Accounts payable and accrued expenses	35,657	131,663
Deferred revenue	(37,659)	(35,299)
Lease liabilities - operating	(96,134)	-
Net cash (used in) provided by operating and non-operating activities	(1,349,558)	2,600,043
Investing activities		
Purchase of investments	(1,577,110)	(1,726,636)
Proceeds from sales of investments	1,076,027	1,460,727
Purchase of property and equipment	-	(34,133)
Net cash used in investing activities	(501,083)	(300,042)
Financing activities		
Endowment contributions	87,857	100
Net cash provided by financing activities	87,857	100
Net change in cash, cash equivalents and restricted cash	(1,762,784)	2,300,101
Cash, cash equivalents and restricted cash		
Beginning of year	2,882,010	581,909
End of year	$ 1,119,226	$ 2,882,010
Reconciliation of cash, cash equivalents and restricted cash to statements of financial position		
Cash and cash equivalents	$ 979,330	$ 2,742,536
Restricted cash and cash equivalents - Union obligations	139,896	139,474
	$ 1,119,226	$ 2,882,010
Non-cash activities		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 985,598	$ -

The Notes to Financial Statements are an integral part of these statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Williamstown Theatre Foundation, Inc. (the "Organization") is a not-for-profit corporation, also known as the Williamstown Theatre Festival, which was formed to promote, teach and develop artistic abilities and other skills in the field of theatrical performances. Since 1955, the Organization has brought America's finest actors, directors, designers, and playwrights to the Berkshires, engaging a loyal audience of both residents and summer visitors. Each season is designed to present unique opportunities for artists and audience alike, revisiting classic plays with innovative productions, developing and nurturing bold new plays and musicals, and offering a rich array of accompanying cultural events including community works, late-night cabarets, readings, workshops, and educational programs. While best known for acclaimed productions, the Organization is also home to one of the nation's top training and professional development programs for new generations of aspiring theater artists and administrators.

The Organization's executive leadership intention is to bring a fresh perspective to the operational changes needed by the Organization. The Organization is currently in the process of planning for a more condensed 2023 Season, which will include workshops and readings and fewer mainstage performances.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The Organization's resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: Include expendable resources that are used to carry out the Organization's operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties. In addition, net assets without donor restrictions includes property and equipment used in operations and amounts designated by the Board of Directors.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that may or will be met either by the actions of the Organization or through the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and promises to give wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income may be made available for operations, subject to the Organization's spending policy.

The Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including an authorized investment return appropriated for operations. This measure of operations provides a presentation that depicts the matter in which Organization manages its financial activities. Investment return, including interest and dividends, net realized and unrealized gains and losses earned, in excess of (or less than) the Organization's authorized investment return appropriated for operations, capital contributions and grants, and other nonrecurring charges and expenses not chargeable to grants and contracts are recognized as nonoperating activities.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less, except those that are included in the Organization's investment portfolio.

Fair Value Measurements

Fair value is 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.

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 - Quoted prices of identical instruments in active markets.

Level 2 - Quoted prices of similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

Common Stocks, Exchange-traded funds and US Treasury Securities - Valued at quoted market prices for identical assets in active markets.

Corporate Bonds - Valued at quoted market prices for similar assets in active markets.

Investments

Investments in marketable securities are reported at fair value in the accompanying statements of financial position. Unrealized gains and losses are included in changes in net assets in the accompanying statements of activities. Investments received by gift are initially recorded at fair value at the date of receipt. Fair values for stocks, bonds and U.S. government securities are based on quoted market prices. The fair values assigned to these assets do not necessarily represent amounts that might be realized upon their ultimate disposition. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements. Gains and losses on sales of investments are determined using the average cost method. Investment income (loss) is shown net of direct external expenses.

Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs, except for direct response marketing and other expenses incurred related to the subsequent season's performances that are deferred and recognized in the season when the related revenue is recognized. Advertising expense for the years ended December 31, 2022 and 2021 was $100,949 and $106,844, respectively.

Production Costs

Production costs are capitalized at cost and are amortized over the estimated life of the theatrical production. Since all productions closed prior to the fiscal year end of the financial statements, all production costs have been expensed.

Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of $5,000 (per project). Lesser amounts are expensed. Building, equipment and furniture are being depreciated over the useful life of the related asset using the straight-line method. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports the expiration of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Significant estimates used in the preparation of these financial statements include depreciation and amortization, fair value of investments and functional allocation of expenses. Actual results could differ from those estimates.

Tax Status and Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities. The Organization is obligated for unrelated business income tax on net income from program advertising. During the years ended December 31, 2022 and 2021, the Organization had incurred a net loss from unrelated business activity.

The Organization believes that it has the appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. There are no income tax related penalties and interest included in these financial statements.

New Accounting Pronouncements Adopted in the Current Year

In 2022, the Organization adopted the presentation and disclosure requirements of Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This ASU requires the presentation of contributed nonfinancial assets apart from contributions of cash and other financial assets, along with expanded disclosure requirements. The adoption of this standard did not have a significant impact on the Organization's financial statements, with the exception of increased disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the statements of financial position for an Organization's lease obligations. The Organization adopted the new standard on January 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. Upon adoption, the Organization recognized $985,598 in right-of-use ("ROU") assets related to its leased property. Corresponding lease liabilities of $985,598 were also recognized in the statements of financial position. There was no cumulative effect of applying the new standard and accordingly, there was no adjustment to net assets upon adoption.

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position. The Organization had no finance leases during 2022 and 2021.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, we account for these other services as a component of the lease. For all other leases, the services are accounted for separately and we allocate payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, using a discount rate based on the risk-free rate. Right-of-use (“ROU”) assets are recognized based on the initial present value of the fixed lease payments plus any costs from executing the lease. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease and are reflected in housing, office and storage lease within the statements of functional expenses.

Revenue and Support Recognition

Contributions and Promises to Give

Grants and contributions are recognized when cash is received or when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other measurable barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions and grants are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made.

Revenue from Contracts with Customers

The Organization accounts for ticket sales, ticket sale services charges, production enhancement and program advertising as exchange transactions in the statements of activities. Revenues from contracts with customers are treated as revenues without donor restrictions. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities and shown as deferred revenue in the statements of financial position.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Organization performs the following steps (i) identify contracts with customers; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Organization satisfies each performance obligation.

Fundraising Benefits
Fundraising benefit revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference and is treated as revenue without donor restrictions. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale. The contribution portion is recognized as a conditional contribution when received and reported as a refundable advance on the statements of financial position and is recognized as revenue when the condition is met, which is when the event takes place. For the exchange portion, funds received in advance of the event date are recorded as contract liabilities in the statements of financial position. Revenue from the exchange portion is recognized at a point in time, at the date the event is held.

The following summarizes the Organization's performance obligations:

Ticket Sales and Service Charges
Ticket sales represent the sums actually paid for individual tickets of admission to a production of the Organization including handling and other fees. Tickets are non-refundable at the time of receipt unless a performance is canceled. The Organization estimates the number of cancellations and records a reserve if deemed material. Fees are non-refundable at the time of receipt. The Organization allows for exchanges under certain circumstances for tickets of equal or lesser value. The total yearly adjustment for exchanged tickets is immaterial to the Organization. Tickets purchased in advance are recorded as contract liabilities by the Organization. Advanced ticket sales are recorded as revenue when the performance related to the ticket sale is complete. Ticket sales and service charges are recognized at a specific point in time, which is when the performance related to the ticket is complete.

Production Enhancement
Enhancement income represents income received for the Organization to produce and present plays and musicals. The Organization receives a fixed amount of income as reimbursement for production costs spent to develop the production recognized at specific points of time based on the terms of the agreement.

Other Exchange Transactions
Program advertising income is recognized in the period the performance takes place or the period to which the fees relate.

The timing of revenue recognition, billings and cash collections results in contract liabilities which are shown as deferred revenue on the statements of financial position. Accounts receivable as of December 31, 2022 and 2021 were $1,817 and $24,763, respectively. Contract liabilities as of December 31, 2022 and 2021 were $44,775 and $82,434, respectively. Accounts receivable and contract liabilities as of January 1, 2021 were $67,455 and $117,733, respectively.

Reclassifications
Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These changes have had no effect on the net assets of the Organization.

2. RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net Assets Without Donor Restrictions
During year ended December 31, 2022, the Board of Directors established a fund to support the mission of the Organization. Transfers from the fund can only occur through Board approval. Board-designated net assets as of December 31, 2022 was $500,000. There were no board-designated net assets as of December 31, 2021.

Net Assets With Donor Restrictions

The following net assets are restricted for the following purposes as of December 31:

	2022	2021
Grants and Contributions		
Future periods and programs	$ 1,076,861	$ 1,820,262
Accumulated endowment earnings	300,388	957,937
	1,377,249	2,778,199
Donor-Designated Endowment (to be held in perpetuity)		
General Endowment	2,525,279	2,437,422
Scholarship Endowment	892,245	892,245
	3,417,524	3,329,667
	$ 4,794,773	$ 6,107,866

General Endowment Fund

This fund supports the general operating expenses incurred by the Organization to stage its subscription season.

Scholarship Endowment Fund

This fund provides financial assistance to artists and apprentices at the Organization.

The Board of Directors of the Organization have interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of 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, the Organization classifies as net assets without donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund is classified net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund;
b. The purposes of the Organization and the donor-restricted endowment fund;
c. General economic conditions;
d. The possible effect of inflation and deflation;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the Organization; and
g. The investment policy of the Organization.

Changes in endowment assets are as follows for the years ended December 31:

		2022		2021
Endowment net assets, beginning of year	$	4,287,604	$	3,710,385
Contributions		87,857		100
Spending appropriations		(179,220)		-
Investment return, net		(478,329)		577,119
Endowment net assets, end of year	$	3,717,912	$	4,287,604
Amount required to be maintained in perpetuity	$	3,417,524	$	3,329,667
Accumulated endowment earnings		300,388		957,937
	$	3,717,912	$	4,287,604

Return Objectives and Risk Parameters

The Organization has adopted an investment policy for endowment assets with the primary goal of maintaining the original value of the endowment principal, while providing funding to programs supported by its endowment. Under this policy, the endowment assets are invested in a manner that is intended to produce income and preserve principal while assuming a very low level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its return 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy

The percentage allowed to be utilized towards the Organization's operations within the Organization's endowment spending policy is up to an amount equal to 5% of the accumulated value of certain endowment funds. Any net excess in investment earnings over the spending policy on donor-designated endowments is reflected within net assets with donor restrictions to be utilized in future periods and/or programs, with any losses reducing net assets with donor restrictions. Net excess investment income from endowment funds is reflected within net assets with donor restrictions as of December 31, 2022 and 2021.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original dollar value of the endowment fund or the level that the donor or state law requires the Organization to retain as a fund of perpetual duration. There were no deficiencies as of December 31, 2022 and 2021.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt or restricted contributions, were as follows:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 979,330	$ 2,242,536
Accounts receivable	1,817	24,763
Unconditional promises to give	155,825	74,435
Employee retention tax credit receivable	-	82,150
	1,136,972	2,423,884
Liquidity resources		
Unused line of credit	500,000	500,000
Total financial assets and liquidity resources available within one year	$ 1,636,972	$ 2,923,884

The Organization’s cash flows are substantially supported by the performances at the theatre. The Organization’s cash flows have seasonal variations due to tickets sales. The Organization’s endowment funds consist of donor-restricted endowments. As described in Note 2, the Organization has a spending rate of 5%. The Organization also has a credit facility with maximum availability of $500,000.

4. CONCENTRATION OF CREDIT RISK AND RESTRICTED CASH

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported on the statements of financial position.

As of December 31, 2022 and 2021, restricted cash consisted of a restricted certificate of deposit of $139,896 and $139,474, respectively, which is pledged as collateral to meet the requirements of the Actors’ Equity Association and Stage Directors and Choreographers Society Union Agreements.

5. INVESTMENTS

Fair values of assets measured on a recurring basis on December 31, 2022 and 2021 consist of common stocks, corporate bonds, exchange-traded funds, US Treasury securities and investments at net asset value.

There were no changes in investment leveling methodologies for the years ended December 31, 2022 and 2021. There were no transfers, purchases or issuances of level 3 investments during the years ended December 31, 2022 and 2021.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022 and 2021:

2022	Fair Value			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,292,313	$ -	$ -	$ 1,292,313
Common stocks	3,401,953	-	-	3,401,953
Corporate bonds	-	727,986	-	727,986
Exchange-traded funds	57,892	-	-	57,892
US Treasury securities	679,168	-	-	679,168
	$ 5,431,326	$ 727,986	$ -	$ 6,159,312
Investments measured at net asset value (1)				65,730
			Total investments	$ 6,225,042

2021	Fair Value			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 936,293	$ -	$ -	$ 936,293
Common stocks	4,123,977	-	-	4,123,977
Corporate bonds	-	947,608	-	947,608
Exchange-traded funds	335,311	-	-	335,311
US Treasury securities	577,218	-	-	577,218
	$ 5,972,799	$ 947,608	$ -	$ 6,920,407
Investments measured at net asset value (1)				72,699
			Total investments	$ 6,993,106

Strategies	2022 NAV	2021 NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled fund (1)	$ 65,730	$ 72,699	None	Monthly-annually	0-60 days

(1) This investment is held in pooled funds invested with the Berkshire Taconic Community Foundation, Inc. As a participant in pooled funds, the Organization's ownership interest is based on the units held by the Organization to the total of all units in the pooled funds. The pool is revalued quarterly and income and gains or losses are allocated to the participants based on their units. The investment is in the managed investment pool which has a long-term strategy with a balanced portfolio approach.

Investment income (loss), net consists of the following for the years ended December 31:

	2022	2021
Interest and dividend income	$ 114,965	$ 82,093
Realized (loss) gain on sale of investments	(50,670)	19,302
Unrealized (loss) gain on investments	(1,225,458)	921,276
Investment fees	(14,041)	(14,083)
Total investment (loss) income, net	$ (1,175,204)	$ 1,008,588

6. UNCONDITIONAL PROMISES TO GIVE

When estimating fair value of unconditional promises to give, the relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue. As of December 31, 2022 and 2021, all unconditional promises to give are due within one year.

The Organization received approximately 13% and 12% of total contributions from the board members for the years ended December 31, 2021 and 2022, respectively.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following on December 31:

Description	Estimated Life (Years)	2022	2021
Land	n/a	$ 353,250	$ 353,250
Building and improvements	15 - 40	1,080,707	1,080,707
Vehicles	5	132,082	132,082
Furniture and fixtures	5 - 7	92,786	92,786
		1,658,825	1,658,825
Less: Accumulated depreciation		(324,437)	(274,294)
		$ 1,334,388	$ 1,384,531

Depreciation expense for the years ended December 31, 2022 and 2021 were $50,143 and $47,530, respectively.

8. COMMITMENTS AND CONTINGENCIES

a) Government supported programs are subject to audit by the granting agency.

b) The Organization has a line of credit with a financial institution with maximum availability of $500,000. The line of credit is secured by a perfected security interest in all assets of the Organization, bearing interest at prime rate (7.5% and 3.25% as of December 31, 2022 and 2021, respectively). The line of credit is automatically renewed on annual basis. As of December 31, 2022 and 2021, no amounts have been drawn on the line of credit and no amounts were drawn during the years ended December 31, 2022 and 2021.

c) The Organization has entered into various contracts with playwrights in order to develop, produce, promote, and present plays on the stage in the presence of an audience. The Organization is obligated to pay royalties to authors and/or composers for productions that they have produced. If a play produced by the Organization generates royalties to the author or composer, then the Organization will generally be entitled to a certain percentage of the net proceeds received by the author and/or composer.

d) The Organization leases office space, artists' residential space and storage space under non-cancelable operating leases expiring on various dates through 2031. Because the rate implicit in the leases is generally not available, the Organization utilizes the risk-free rate as the discount rate. The weighted average discount rate associated with operating leases as of December 31, 2022 is 1.19%. The weighted average remaining lease term associated with the leases as of December 31, 2022 is approximately 8 years.

The Organization has entered into several lease agreements for space:

- Office space located in Williamstown, Massachusetts - month-to-month basis until terminated by either tenant or landlord upon written notice to either party.
- Artists' residential space located in Williamstown, Massachusetts - for the period through July 2024.
- Storage space located in North Adams, Massachusetts - month-to-month basis until terminated.
- Office space located in New York, NY - for the period through October 31, 2031. The lease requires payments subject to annual increases.

Operating lease expense under the leases for the years ended December 31, 2022 and 2021 were $112,370 and $58,424, respectively, and are reflected in housing, office and storage leases within the statements of functional expenses. Cash paid for operating leases for the year ended December 31, 2022 was $109,650.

Under the new standard ASU 2016-02, *Leases* (Topic 842) the following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2022:

Year ending December 31, 2023	$ 136,048
" " " December 31, 2024	133,124
" " " December 31, 2025	89,577
" " " December 31, 2026	91,816
" " " December 31, 2027	95,261
Thereafter through October 31, 2031	401,074
	946,900
Less: Imputed interest	(57,436)
Lease liability as of December 31, 2022	$ 889,464

Future minimum lease payments under operating leases as of December 31, 2022 and 2021 were as follows:

	2022	2021
Year ending December 31, 2022	$ -	$ 73,207
" " " December 31, 2023	136,048	80,621
" " " December 31, 2024	133,124	84,404
" " " December 31, 2025	89,577	89,577
" " " December 31, 2026	91,816	91,816
" " " December 31, 2027	95,261	95,261
Thereafter through October 31, 2031	401,074	401,074
	$ 946,900	$ 915,960

9. EMPLOYEE BENEFIT PLAN AND PENSION PLANS

a) The Organization has a 403(b) salary deferral plan. The plan covers full-time employees who completed at least one year of service. The Organization may make a contribution to the employee plan on a discretionary basis for up to 7% of the employee's regular salary and the employees contribute 3%. The Organization's contributions to the plan were $34,258 and $52,596 for the years ended December 31, 2022 and 2021, respectively.

b) The Organization contributes to five multiemployer pension plans under collective bargaining agreements covering union-represented employees, entirely in the entertainment industry. The vast majority of employers participating in these multiemployer plans are primarily engaged in the entertainment industry. These plans generally provide retirement benefits to vested participants based on their service to contributing employers, of which the Organization is one. In general, these plans are managed by a Board of Trustees with the unions appointing certain trustees and contributing employers of the plan appointing certain members. The Organization does not participate in any plan where it considers its contributions to be individually significant to the overall plan.

Based on information available to the Organization, the vast majority of the multiemployer plans to which it contributes are adequately funded under the applicable provisions of the Pension Protection Act ("PPA") enacted in 2006. Two funds are in either "critical" or "endangered" status as those terms are defined in the PPA. The PPA requires all underfunded pension plans to improve their funding ratios within prescribed intervals based on their level of underfunding. Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the PPA, we are unable to determine the amount of assessments the Organization may be subject to, if any. Under applicable law upon its ceasing to make contributions to, or other "withdrawal" from an underfunded multiemployer pension plan, the affected funds could seek contributions from the Organization for the Organization's proportionate share of the plan's unfunded vested liabilities. The Organization believes that under such circumstances, if a fund were to seek to assess such contribution obligation upon the Organization's alleged "withdrawal," the Organization would have significant defenses against such assessment under applicable law.

The Organization cannot determine at this time the impact that any alleged withdrawal from the affected plans may have on its financial position, changes in net assets or cash flows.

Approximately 13% and 11% of the Organization's employees and contractors were participants in multiemployer plans for the years ended December 31, 2022 and 2021. Pension and welfare contributions for multiemployer plans were $41,719 and $41,602 for the years ended December 31, 2022 and 2021, respectively.

10. CONTRIBUTIONS OF NON-FINANCIAL ASSETS

Contributed non-financial assets are recorded as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. Contributed non-financial assets do not have donor-imposed restrictions, are not sold and goods are only distributed for program use. The Organization received contributed non-financial assets comprised of services and materials during the years ended December 31, 2022 and 2021 in support of its programs and operations, which are recognized in the statements of activities and included:

Non-Financial Contributions Category	Type of Contributions	Valuation	2022	2021
Professional services	Graphic design services	Standard industry pricing for similar services	$ 5,250	$ -
Professional services	Readings honorariums and stipends	Standard industry pricing for similar services	2,850	30,775
Food items	Various foods	U.S. wholesales prices of identical or similar products	766	-
			$ 8,866	$ 30,775

11. WILLIAMS COLLEGE

The Organization has an agreement with Williams College (the "College") to conduct its summer theater program on campus in Williamstown, Massachusetts. The College provides reserved function space and facilities including performance space, rehearsal space and classrooms as well as food services and accommodations to the Organization in return for certain fees. For each of the years ended December 31, 2022 and 2021, the Organization had three productions held at the performance space provided by the College. As of December 31, 2022 and 2021, the amount due to Williams College were $184,016 and $146,350, respectively, which were all subsequently paid. On June 8, 2023, the Organization renewed the agreement with College for the 2023 season.

12. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statements of activities and detailed within the statements of functional expenses. Certain costs have been allocated among the programs and supporting services based on analysis of personnel time and utilization of related activities if there is not a direct association to one of the functional categories. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include depreciation and amortization, salaries and artistic fees, employee benefits, payroll taxes, office supplies and expenses, telephone, insurance, housing, office and storage lease and utilities, repairs and maintenance which are allocated on the basis of estimates of time and effort.

13. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 21, 2023, the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require adjustment to or disclosure in these financial statements.