

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

**Williamstown Theatre Foundation, Inc.**  
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**December 31, 2021**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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

### 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement 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.

*Withum Smith + Brown, PC*

November 9, 2022

**Williamstown Theatre Foundation, Inc.**  
**Statement of Financial Position**  
**December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,242,536	\$ 500,000	\$ 2,742,536
Employee retention tax credit receivable	82,150	-	82,150
Accounts receivable	24,763	-	24,763
Unconditional promises to give	74,435	-	74,435
Prepaid expenses	<u>47,804</u>	<u>-</u>	<u>47,804</u>
Total current assets	2,471,688	500,000	2,971,688
Restricted cash and cash equivalents	139,474	-	139,474
Investments	1,385,240	5,607,866	6,993,106
Property and equipment, at cost, net of accumulated depreciation and amortization	1,384,531	-	1,384,531
Deposit	<u>26,055</u>	<u>-</u>	<u>26,055</u>
Total assets	<u>\$ 5,406,988</u>	<u>\$ 6,107,866</u>	<u>\$ 11,514,854</u>
<b>Liabilities and Net Assets</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 313,843	\$ -	\$ 313,843
Deferred revenue	<u>82,434</u>	<u>-</u>	<u>82,434</u>
Total liabilities	<u>396,277</u>	<u>-</u>	<u>396,277</u>
Net assets			
Without donor restrictions			
Property and equipment, net	1,384,531	-	1,384,531
Undesignated	3,626,180	-	3,626,180
With donor restrictions	<u>-</u>	<u>6,107,866</u>	<u>6,107,866</u>
Total net assets	<u>5,010,711</u>	<u>6,107,866</u>	<u>11,118,577</u>
Total liabilities and net assets	<u>\$ 5,406,988</u>	<u>\$ 6,107,866</u>	<u>\$ 11,514,854</u>

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

**Williamstown Theatre Foundation, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating activities</b>			
<b>Public support and other revenue</b>			
Public support			
Shuttered venue operators grant revenue	\$ 1,149,294	\$ -	\$ 1,149,294
Other government grants	205,800	-	205,800
Contributions	1,670,632	501,100	2,171,732
Donated services	30,775	-	30,775
Fundraising event	501,405	-	501,405
Less: Direct costs of fundraising event	<u>(20,882)</u>	<u>-</u>	<u>(20,882)</u>
Fundraising event, net	480,523	-	480,523
Net assets released from time restriction	<u>595,565</u>	<u>(595,565)</u>	<u>-</u>
Total public support	4,132,589	(94,465)	4,038,124
Other revenue			
Employee retention tax credit income	1,005,477	-	1,005,477
Production enhancement	650,000	-	650,000
Ticket sales and service charges	375,656	-	375,656
Rental income	70,453	-	70,453
Program advertising	27,163	-	27,163
Other income	<u>40,959</u>	<u>-</u>	<u>40,959</u>
Total public support and other revenue	<u>6,302,297</u>	<u>(94,465)</u>	<u>6,207,832</u>
<b>Expenses</b>			
Program services	<u>3,716,980</u>	<u>-</u>	<u>3,716,980</u>
Supporting services			
Management and general	641,443	-	641,443
Fundraising	<u>241,042</u>	<u>-</u>	<u>241,042</u>
Total supporting services	<u>882,485</u>	<u>-</u>	<u>882,485</u>
Total expenses	<u>4,599,465</u>	<u>-</u>	<u>4,599,465</u>
Change in net assets before non-operating activities	<u>1,702,832</u>	<u>(94,465)</u>	<u>1,608,367</u>
<b>Non-operating activities</b>			
Employee retention tax credit income	73,889	-	73,889
Investment income, net	206,249	802,339	1,008,588
Shuttered venue operators grant revenue	<u>871,940</u>	<u>-</u>	<u>871,940</u>
Total non-operating activities	<u>1,152,078</u>	<u>802,339</u>	<u>1,954,417</u>
<b>Change in net assets</b>	2,854,910	707,874	3,562,784
<b>Net assets</b>			
Beginning of year	<u>2,155,801</u>	<u>5,399,992</u>	<u>7,555,793</u>
End of Year	<u>\$ 5,010,711</u>	<u>\$ 6,107,866</u>	<u>\$ 11,118,577</u>

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			Total Expenses
		Management and General	Fundraising	Total	
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	-	-	-	501,878
Scripts and royalties	21,634	-	-	-	21,634
Advertising and promotion	106,844	-	-	-	106,844
Program printing	11,738	-	-	-	11,738
Repairs and maintenance	21,061	-	-	-	21,061
Fundraising and development	-	-	5,736	5,736	5,736
Direct costs of fundraising event	-	-	20,882	20,882	20,882
Postage and duplication	1,033	-	-	-	1,033
Office supplies and expenses	10,182	1,366	869	2,235	12,417
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
Housing, food and cleaning services	108,841	-	-	-	108,841
Office and storage rent and utilities	31,633	4,243	2,700	6,943	38,576
Transportation and hauling	107,057	-	-	-	107,057
Professional fees	171,480	287,793	10,257	298,050	469,530
Miscellaneous	27,843	3,735	2,377	6,112	33,955
Depreciation and amortization	38,975	5,228	3,327	8,555	47,530
	<u>3,716,980</u>	<u>641,443</u>	<u>261,924</u>	<u>903,367</u>	<u>4,620,347</u>
Less expenses included with revenues on the statement of activities					
Direct costs of fundraising event	<u>-</u>	<u>-</u>	<u>(20,882)</u>	<u>(20,882)</u>	<u>(20,882)</u>
Total expenses	<u>\$ 3,716,980</u>	<u>\$ 641,443</u>	<u>\$ 241,042</u>	<u>\$ 882,485</u>	<u>\$ 4,599,465</u>

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

**Williamstown Theatre Foundation, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2021**

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**Operating and non-operating activities**

Change in net assets	\$ 3,562,784
Adjustments to reconcile change in net assets to net cash provided by operating and non-operating activities	
Depreciation and amortization expense	47,530
Donated securities	(21,885)
Unrealized gain on investments	(921,276)
Realized gain on sale of investments	(19,302)
Change in assets and liabilities	
Employee retention tax credit receivable	(82,150)
Accounts receivable	42,692
Unconditional promises to give	(74,435)
Prepaid expenses	(4,124)
Deposit	(26,055)
Accounts payable and accrued expenses	131,663
Deferred revenue	<u>(35,299)</u>
Net cash provided by operating and non-operating activities	<u>2,600,143</u>

**Investing activities**

Purchase of property and equipment	(34,133)
Purchase of investments	(1,726,636)
Proceeds from sales of investments	<u>1,460,727</u>
Net cash used in investing activities	<u>(300,042)</u>

Net change in cash, cash equivalents and restricted cash 2,300,101

**Cash, cash equivalents and restricted cash**

Beginning of year	<u>581,909</u>
End of year	<u>\$ 2,882,010</u>

**Reconciliation of cash, cash equivalents and restricted cash  
to statement of financial position**

Cash and cash equivalents	\$ 2,742,536
Restricted cash and cash equivalents - Union obligations	<u>139,474</u>
	<u>\$ 2,882,010</u>

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



**Williamstown Theatre Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021**

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**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.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and conform to the accounting principles generally accepted in the United States of America ("GAAP") and, accordingly, reflect all significant receivables, payables, and other liabilities.

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.

**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 manner 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) 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.

**Williamstown Theatre Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021**

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**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 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.

*Alternatives* - Valued based on estimates provided by the management of the funds.

**Investments**

Investments in marketable securities are reported at fair value in the accompanying statement of financial position. Unrealized gains and losses are included in changes in net assets in the accompanying statement 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.

**Property and Equipment**

Property and equipment acquired are recorded at cost. 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 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.

**Williamstown Theatre Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021**

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**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 year ended December 31, 2021 was \$106,845.

**Production Costs**

Production costs are capitalized at cost and are amortized over the estimated life of the theatrical production. Since all productions closed by December 31, all production costs have been expensed within the fiscal year.

**Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 the fair value of investments. 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 year ended December 31, 2021, the Organization had incurred a net loss from the 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.

**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 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 statement 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 statement of financial position.

**Williamstown Theatre Foundation, Inc.**  
**Notes to Financial Statements**  
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*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 statement 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 statement of financial position. Revenue from the exchange portion is recognized at a point in time, at the date the event is held.

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.

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 and other income are 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 statement of financial position. Accounts receivable as of December 31, 2021 was \$99,198. There was no accounts receivable balance as of December 31, 2020. Contract liabilities as of December 31, 2021 and 2020 were \$82,434 and \$117,733, respectively.

**Williamstown Theatre Foundation, Inc.**  
**Notes to Financial Statements**  
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**2. RESTRICTIONS ON NET ASSETS**

**Net Assets With Donor Restrictions**

The following net assets are restricted for the following purposes as of December 31, 2021:

**Grants and Contributions**

Future periods and programs	\$ 1,820,262
Accumulated endowment earnings	<u>957,937</u>
	<u>2,778,199</u>

**Donor-Designated Endowment (to be held in perpetuity)**

General Endowment	2,437,422
Scholarship Endowment	<u>892,245</u>
	<u>3,329,667</u>
	<u>\$ 6,107,866</u>

*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.

**Williamstown Theatre Foundation, Inc.**  
**Notes to Financial Statements**  
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Changes in endowment assets are as follows for the year ended December 31, 2021:

Endowment net assets, beginning of year	\$ 3,710,385
Contributions	100
Investment return, net	<u>577,119</u>
Endowment net assets, end of year	<u>\$ 4,287,604</u>
Amount required to be maintained in perpetuity	\$3,329,667
Accumulated endowment earnings	<u>957,937</u>
	<u>\$ 4,287,604</u>

*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, 2021. There was no appropriation for spending during the year ended December 31, 2021.

**3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of December 31, 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:

Financial assets	
Cash and cash equivalents	\$ 2,242,536
Employee retention tax credit receivable	82,150
Accounts receivable	<u>24,763</u>
	2,349,449
Liquidity resources	
Unused line of credit	<u>500,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 2,849,449</u>

**Williamstown Theatre Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021**

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. To manage liquidity, the Organization sells tickets at the beginning of the season to have cash on hand to pay for operating expenditures. 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**

The Organization maintains cash, cash equivalents and money market balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation for up to \$250,000 per institution and any excess is insured by the Deposit Insurance Fund of Massachusetts. As of December 31, 2021, the Organization did not have uninsured cash balances. The Organization has not experienced and does not expect to experience any losses in these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

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

The Organization's investment accounts are insured by the Securities Investor Protection Corporation ("SIPC") for up to \$500,000 per customer. SIPC does not protect investors from market risks. As of December 31, 2021, the Organization's uninsured investment balance totaled \$5,806,658.

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 statement of financial position.

**5. INVESTMENTS**

Fair values of assets measured on a recurring basis on December 31, 2021 consist of common stocks, corporate bonds, US Treasury securities and alternative investments.

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

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

	Fair Value				NAV
	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	
	<u>\$ 5,972,799</u>	<u>\$ 947,608</u>	<u>\$ -</u>	<u>\$ 6,920,407</u>	
Investments measured at net asset value (1)					<u>72,699</u>
				Total investments	<u>\$ 6,993,106</u>

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<u>Strategies</u>	<u>NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Pooled fund (1)	\$ <u>72,699</u>	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, net consists of the following for the year ended December 31, 2021:

Unrealized gain on investments	\$ 921,276
Interest and dividend income	82,093
Realized gain on sale of investments	19,302
Investment fees	<u>(14,083)</u>
Total investment income, net	<u>\$ 1,008,588</u>

**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, 2021, all unconditional promises to give are due within one year.

**7. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following on December 31, 2021:

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

Depreciation expense for the year ended December 31, 2021 was \$47,530.



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**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 (3.25% as of December 31, 2021). The line of credit is automatically renewed on annual basis. As of December 31, 2021, no amounts have been drawn on the line of credit and no amounts were drawn during the year ended December 31, 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 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 December 31, 2022.
  - 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.

Rent expense under the leases for the year ended December 31, 2021 was \$58,424 and reflected in occupancy and facilities within the statement of functional expenses.

The minimum annual rental payments for all leases as of December 31, 2021 are as follows:

Year ending December 31, 2022	\$	73,207
“ “ “ December 31, 2023		80,621
“ “ “ December 31, 2024		84,404
“ “ “ December 31, 2025		91,816
“ “ “ December 31, 2026		94,111
Thereafter through October 31, 2031		<u>499,502</u>
	<u>\$</u>	<u>923,661</u>

**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 employee's regular salary and the employees contribute 3%. The Organization's contribution to the plan was \$52,596 for the year ended December 31, 2021.

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- 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 11% of the Organization's employees and contractors are participants in multiemployer plans for the year ended December 31, 2021. Pension and welfare contributions for multiemployer plans were \$41,602 for the year ended December 31, 2021.

**10. DONATED SERVICES**

The Organization received donated professional services for research, design and course planning during the year ended December 31, 2021 in support of its program and operations. The fair value of these services totaled \$30,775 which has been recorded in the accompanying financial statements in compensation and fees on the statement of functional expenses for the year ended December 31, 2021.

**11. WILLIAMS COLLEGE**

The Organization has an agreement with Williams College (the "College") to conduct their 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 the year ended December 31, 2021, the Organization had three productions held at the performance space provided by the College. As of December 31, 2021, the amount due to Williams College was \$146,350 which was all subsequently paid.

**12. CONCENTRATION OF CONTRIBUTIONS**

The Small Business Administration ("SBA") has contributed approximately 50% of the total public support for the year ended December 31, 2021.

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**13. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE**

In February 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 statement of financial position for all of the Organization’s lease obligations. This ASU is effective for years beginning after December 15, 2021 (fiscal year 2022).

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

The Organization is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

**14. SHUTTERED VENUE OPERATORS GRANT**

On July 2, 2021, the Organization was awarded a Shuttered Venue Operators Grant from the SBA in the amount of \$1,347,489. This cost-reimbursable federal grant covers allowable qualifying expenses for the period from March 1, 2020 through December 31, 2021. On October 6, 2021, the Organization received a supplementary award of \$673,745 from the SBA which also extends the allowable expenses period for the entire grant to June 30, 2022. Revenue of \$2,021,234 has been recognized during the year ended December 31, 2021, of which, \$871,940 relates to expenses incurred from March 1, 2020 through December 31, 2020 which are shown as non-operating activities in the statement of activities.

**15. EMPLOYEE RETENTION CREDITS**

The Organization has applied for the employee retention credit in the amount of \$1,079,366. The credit will be claimed against the Organization’s payroll tax obligations for each calendar quarter based on qualified wages, subject to certain limitations. For the year ended December 31, 2021, the Organization recorded revenue totaling \$1,079,366, of which \$73,889 relates to expenses incurred during the year ended December 31, 2020, which is shown as non-operating activities in the accompanying statement of activities. Amounts that have not yet been received of \$82,150 are recorded as employee retention tax credit receivable as of December 31, 2021.

**16. FUNCTIONAL ALLOCATION OF EXPENSES**

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities and detailed within the statement 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, compensation and fees, employee benefits, payroll taxes, office supplies and expenses, and insurance, which are allocated on the basis of estimates of time and effort.

**Williamstown Theatre Foundation, Inc.**  
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**17. RISK AND UNCERTAINTIES**

Management continues to evaluate the COVID-19 virus in the United States and its impact on the theatrical industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial condition and changes in net assets, the specific impact is not readily determinable as of the date of these financial statements.

**18. EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through November 9, 2022, 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.