

AMERICAN SHAKESPEARE CENTER

FINANCIAL REPORT

September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
American Shakespeare Center
Staunton, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of American Shakespeare Center (a nonprofit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Shakespeare Center 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 American Shakespeare Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of American Shakespeare Center'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 American Shakespeare Center'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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
January 25, 2024

AMERICAN SHAKESPEARE CENTER

STATEMENTS OF FINANCIAL POSITION

September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 261,845	\$ 346,870
Trade receivables	719	1,424
Grants receivable	11,790	6,779
Merchandise inventory	17,079	23,870
Prepaid expenses	22,091	31,960
	<u>313,524</u>	<u>410,903</u>
OTHER ASSETS		
Endowment (Note 3)	93,555	91,361
Deposits	48,542	60,252
Property and equipment, net (Note 2)	1,936,539	2,063,555
Right of use asset - operating lease, net (Note 6)	1,013,745	-
	<u>\$ 3,405,905</u>	<u>\$ 2,626,071</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 34,257	\$ 74,272
Accrued expenses	26,678	17,853
Deferred revenue	373,501	373,513
Line of credit (Note 4)	25,000	-
Current portion of lease liability - operating leases (Note 6)	196,706	-
Current portion of long-term debt (Note 5)	84,218	98,541
	<u>740,360</u>	<u>564,179</u>
Lease liabilities - operating leases (Note 6)	824,542	-
Long-term debt, net of current portion (Note 5)	1,266,267	1,350,774
	<u>2,831,169</u>	<u>1,914,953</u>
NET ASSETS		
Without donor restrictions	460,754	600,330
With donor restrictions (Note 9)	113,982	110,788
	<u>574,736</u>	<u>711,118</u>
Total liabilities and net assets	<u><u>\$ 3,405,905</u></u>	<u><u>\$ 2,626,071</u></u>

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

AMERICAN SHAKESPEARE CENTER

STATEMENT OF ACTIVITIES

Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 438,623	\$ 2,000	\$ 440,623
Grants	311,905	1,001	312,906
Performances (Note 12)			
Admissions, net	1,910,507	-	1,910,507
Education	336,985	-	336,985
Bar and gift store sales (Note 12)	125,111	-	125,111
Miscellaneous	6,265	-	6,265
Interest income	402	193	595
	<u>3,129,798</u>	<u>3,194</u>	<u>3,132,992</u>
EXPENSES			
Program services	2,609,626	-	2,609,626
Management and general	495,153	-	495,153
Fundraising	164,595	-	164,595
	<u>3,269,374</u>	<u>-</u>	<u>3,269,374</u>
Total expenses			
	<u>3,269,374</u>	<u>-</u>	<u>3,269,374</u>
Change in net assets	<u>(139,576)</u>	<u>3,194</u>	<u>(136,382)</u>
NET ASSETS			
Beginning	<u>600,330</u>	<u>110,788</u>	<u>711,118</u>
Ending	<u>\$ 460,754</u>	<u>\$ 113,982</u>	<u>\$ 574,736</u>

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

AMERICAN SHAKESPEARE CENTER

STATEMENT OF ACTIVITIES

Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 334,354	\$ 2,000	\$ 336,354
Grants	628,510	-	628,510
Performances (Note 12)			
Admissions	857,702	-	857,702
Education	208,709	-	208,709
BlkFrS TV	7,455	-	7,455
In-kind contributions (Note 7)	900	-	900
Gift store sales (Note 12)	41,108	-	41,108
Miscellaneous	27,690	-	27,690
Interest income	1,391	18	1,409
	<u>2,107,819</u>	<u>2,018</u>	<u>2,109,837</u>
Total revenue, gains, and other support			
EXPENSES			
Program services	2,451,230	-	2,451,230
Management and general	609,810	-	609,810
Fundraising	168,904	-	168,904
	<u>3,229,944</u>	<u>-</u>	<u>3,229,944</u>
Total expenses			
Change in net assets	(1,122,125)	2,018	(1,120,107)
NET ASSETS			
Beginning, as restated (Note 14)	<u>1,722,455</u>	<u>108,770</u>	<u>1,831,225</u>
Ending	<u>\$ 600,330</u>	<u>\$ 110,788</u>	<u>\$ 711,118</u>

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

AMERICAN SHAKESPEARE CENTER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,238,900	\$ 97,153	\$ 122,161	\$ 1,458,214
Benefits	159,237	2,347	6,360	167,944
Payroll taxes	94,798	11,010	8,956	114,764
Rent	271,855	36,029	1,162	309,046
Lease/rental of equipment	6,174	2,314	-	8,488
Cost of goods sold	44,939	-	-	44,939
Maintenance	50,017	5,250	-	55,267
Utilities	75,998	24,914	-	100,912
Taxes and licenses	617	330	5	952
Insurance	24,321	37,938	828	63,087
Depreciation	127,016	-	-	127,016
Office	71,607	34,175	14,430	120,212
Advertising and publicity	-	78,132	-	78,132
Meals and entertainment	30,189	-	566	30,755
Bank fees	-	67,430	-	67,430
Interest	70,701	-	-	70,701
Royalties	47,253	-	-	47,253
Per diems	243	-	-	243
Training, meetings, and travel	33,356	-	354	33,710
Production costs	29,157	-	-	29,157
Professional fees	210,652	98,261	2,109	311,022
Other	22,596	(130)	7,664	30,130
	<u>\$ 2,609,626</u>	<u>\$ 495,153</u>	<u>\$ 164,595</u>	<u>\$ 3,269,374</u>

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

AMERICAN SHAKESPEARE CENTER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,156,336	\$ 141,375	\$ 139,084	\$ 1,436,795
Benefits	99,895	24,658	479	125,032
Payroll taxes	94,265	12,592	10,533	117,390
Rent	270,152	35,531	-	305,683
Lease/rental of equipment	9,578	2,136	-	11,714
Cost of goods sold	22,520	-	-	22,520
Maintenance	49,508	3,645	-	53,153
Utilities	68,523	28,447	-	96,970
Taxes and licenses	919	534	725	2,178
Insurance	37,049	17,202	546	54,797
Depreciation	125,573	-	-	125,573
Office	87,284	39,184	5,609	132,077
Advertising and publicity	-	81,492	-	81,492
Meals and entertainment	30,485	137	1,166	31,788
Bank fees	-	39,479	-	39,479
Interest	57,655	-	-	57,655
Royalties	17,392	-	-	17,392
Per diems	8,450	-	-	8,450
Training, meetings, and travel	20,555	642	4,498	25,695
Production costs	49,541	-	-	49,541
Professional fees	232,165	116,561	1,775	350,501
Other	13,385	66,195	4,489	84,069
	<u>\$ 2,451,230</u>	<u>\$ 609,810</u>	<u>\$ 168,904</u>	<u>\$ 3,229,944</u>

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

AMERICAN SHAKESPEARE CENTER

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

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (136,382)	\$ (1,120,107)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	127,016	125,573
Operating lease expense	7,502	-
Cash received from contributions restricted for endowment	(4,000)	(2,000)
(Increase) decrease in assets:		
Trade receivables	705	1,004
Grants receivable	(5,011)	436,535
Merchandise inventory	6,791	8,740
Prepaid expenses	9,871	4,696
Increase (decrease) in liabilities:		
Accounts payable	(40,016)	30,835
Accrued expenses	8,825	407
Deferred revenue	(12)	(45,639)
Net cash used in operating activities	<u>(24,711)</u>	<u>(559,956)</u>
INVESTING ACTIVITIES		
Change in cash designated for endowment	(4,194)	(2,018)
Change in deposits	11,711	(32,607)
Acquisition of property and equipment	-	(12,930)
Net cash (used in) provided by investing activities	<u>7,517</u>	<u>(47,555)</u>
FINANCING ACTIVITIES		
Proceeds from line of credit	25,000	-
Payments on long-term debt	(98,831)	(94,045)
Cash received from contributions restricted for endowment	4,000	2,000
Net cash used in financing activities	<u>(69,831)</u>	<u>(92,045)</u>
Net decrease in cash and cash equivalents	(87,025)	(699,556)
CASH AND CASH EQUIVALENTS		
Beginning	346,870	1,046,426
Ending	<u>\$ 259,845</u>	<u>\$ 346,870</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 70,701</u>	<u>\$ 57,655</u>

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

AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 1. Nature of Entity and Significant Accounting Policies

Organized in 1990, the American Shakespeare Center (the “Center”) illuminates the plays of Shakespeare and his contemporaries, classic and new, refreshing the individual, fostering civil discourse, and creating community in the Blackfriars Playhouse and beyond. The Center operates the Blackfriars Playhouse from its principal location in Staunton, Virginia and sends a touring company throughout the United States, performing and teaching the works of Shakespeare. Conferences, workshops, and summer programs compliment the activities at the Blackfriars Playhouse.

Basis of financial statement presentation and accounting

The financial statements of the Center have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with these principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial statements present information regarding the Center’s financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The two classes are differentiated based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

Net assets with donor restrictions are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Center pursuant to those stipulations. Net assets with donor restrictions also includes amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs.

Cash and cash equivalents

The Center considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Accounts in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances in these accounts at times may exceed federally insured limits. However, the Center does not believe it is subject to any significant credit risk as a result of those deposits.

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AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 1. Nature of Entity and Significant Accounting Policies (Continued)

Trade receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management uses the direct write-off method for uncollectible accounts. This method is not in accordance with GAAP; however, the difference is not material to the financial statements as a whole. No bad debt expense was recorded for the years ended September 30, 2023 or 2022. At September 30, 2023 and 2022, no receivables were greater than 90 days past due.

Grants receivable

The Center records grants revenue and receivable when the grants are awarded unless the grant revenues are conditional. Conditional grant revenues and receivables would be recorded when the uncertain future condition is satisfied. The Center received grants from foundations, state agencies, and the federal government for general operating support and for specific purposes.

Merchandise inventory

Merchandise inventory consists primarily of books and souvenir items and is stated at the lower of cost, as determined on the average cost basis, or net realizable value. Donated inventory is recorded at fair value at the date of the gift.

Property and equipment

Property and equipment is stated at cost at date of acquisition or at fair value at the date of gift, less accumulated depreciation. Expenditures for repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Blackfriars Playhouse building	39 years
Furniture and fixtures	3-7 years
Machinery and equipment	3-7 years
Leasehold improvements	3 years

(Continued)

AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 1. Nature of Entity and Significant Accounting Policies (Continued)

Contributions

Contributions, including unconditional promises, are recognized as without donor restrictions or with donor restrictions, in the period the donor's commitment is received. All donor restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Amounts due to be received or paid in more than one year are discounted to their net present value. Changes in discounts are recognized as contribution revenue or expense over the period of the pledge. All pledges are deemed collectible and therefore an allowance for doubtful pledges is not considered necessary. Contributions received with donor-imposed restrictions that are met in the same year as received are recorded as revenues of the net asset without donor restrictions class. Contributions of donated noncash assets are recorded at their fair values on the date received.

Deferred revenue

Deferred revenue consists primarily of the Center's obligation to fulfill future performance commitments. Deferred revenue also includes future event fees paid by attendees and gift cards purchased by customers.

Functional allocation of expenses

The financial statements report certain categories of expenses that are attributable to more than one supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Certain amounts in the statements of activities have been allocated among functional expense categories based on the activity benefited. Payroll is allocated based on estimate of time and occupancy costs are allocated based on square footage. The Center incurs shared costs that are allocated based on the program or service benefited.

Income taxes

The Center has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section §501(c)(3) of the *Internal Revenue Code (IRC)* and is generally exempt from federal income taxes. Certain revenues may be subject to unrelated business income tax. The Center follows the provisions of accounting for uncertainty in income tax positions as required by the *Income Taxes Topic* of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. Management does not believe it is exposed to any such positions as they are defined in this guidance. The Center files Form 990 annually and Form 990-T when required.

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AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 1. Nature of Entity and Significant Accounting Policies (Continued)

Adoption of new accounting standard:

Effective October 1, 2022, the Center adopted FASB ASC 842, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into change in net assets on a straight-line basis over the lease term.

The adoption of FASB ASC 842, *Leases*, resulted in the following impact at October 1, 2022:

Operating lease asset	\$ 1,061,751
Operating lease liability	\$ 1,061,751

Advertising costs

Advertising and publicity costs are expensed as incurred. Total publicity costs for the year ended September 30, 2023 and 2022 were \$78,132 and \$81,492, respectively.

Estimates and assumptions

The preparation of financial statements in accordance with GAAP requires the Center to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain amounts in the prior period financial statements have been reclassified to conform with current period presentation. These reclassifications had no impact on ending net assets or change in net assets.

Subsequent events

Management has evaluated subsequent events through January 25, 2024, the date the financial statements were available to be issued.

(Continued)

AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 2. Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 51,329	\$ 51,329
Building	4,268,362	4,268,362
Machinery and equipment	82,616	81,466
Furniture and fixtures	65,592	66,742
Leasehold improvements	5,658	5,658
	<u>4,473,557</u>	<u>4,473,557</u>
Less: accumulated depreciation	<u>(2,537,018)</u>	<u>(2,410,002)</u>
Net property and equipment	<u><u>\$ 1,936,539</u></u>	<u><u>\$ 2,063,555</u></u>

Note 3. Endowment

The Center's educational endowment consists of one account established to further the educational purposes of the Center. Net assets associated with the endowment fund are classified and reported based on the existence of donor-imposed restrictions for education.

The Center has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Center retains in perpetuity a) the original value of initial and subsequent gift amounts donated to the permanent endowment and b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Center in a manner consistent with the standard of prudence prescribed by SPMIFA. When the Center does appropriate amounts for expenditure, it will be based upon accumulated earnings in the funds and the educational needs of the Center. The primary objective is long-term capital appreciation and total return. The Center currently utilizes a money market account.

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

- The duration and preservation of the fund
- The purposes of the Center and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation or depreciation of investments
- Other resources of the Center
- The investment policies of the Center

(Continued)

AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 3. Endowment (Continued)

Endowment assets as of September 30 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Money market account	\$ 93,555	\$ 89,361
Other cash accounts	<u>-</u>	<u>2,000</u>
	<u>\$ 93,555</u>	<u>\$ 91,361</u>

Endowment net asset classification by type of fund as of September 30, 2023 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 93,555</u>	<u>\$ 93,555</u>

Changes in endowment net assets for the year ended September 30, 2023 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 91,361	\$ 91,361
Investment return:			
Interest	-	194	194
Contributions	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 93,555</u>	<u>\$ 93,555</u>

Endowment net asset classification by type of fund as of September 30, 2022 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 91,361</u>	<u>\$ 91,361</u>

(Continued)

AMERICAN SHAKESPEARE CENTER
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

Note 3. Endowment (Continued)

Changes in endowment net assets for the year ended September 30, 2022 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 89,343	\$ 89,343
Investment return:			
Interest	-	18	18
Contributions	<u>-</u>	<u>2,000</u>	<u>2,000</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 91,361</u>	<u>\$ 91,361</u>

Perpetual endowment funds that were required to be maintained in perpetuity by either explicit donor restriction or by SPMIFA were \$91,171 and \$87,171 as of September 30, 2023 and 2022, respectively. The remainder represents the portion of perpetual endowment fund subject to time or purpose restrictions.

Note 4. Line of Credit

The center took out a line of credit with Atlantic Union Bank totaling \$200,000 of April 12, 2023. The line of credit is secured by the Blackfriars Playhouse.

The outstanding balance on the line of credit as of September 30, 2023 totaled \$25,000. The interest rate in effect at September 30, 2023 was 9.00%.

The terms of this line of credit require the Center to meet certain financial covenants. Management is not aware of any covenant violations.

Note 5. Long-Term Debt

The Center has a mortgage note collateralized by the Blackfriars Playhouse. The collateral consists of a first lien deed of trust on the building and any current and future improvements. The note is due November 13, 2033, and currently accrues interest at an annual rate of 4.65%. The interest rate is adjustable at five year increments, and the next adjustment date for the interest rate is November 2023. The balances on this note were \$1,350,485 and \$1,449,315 as of September 30, 2023 and 2022, respectively.

(Continued)

AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 5. Long-Term Debt (Continued)

Future note payments are as follows:

2024	\$	84,218
2025		85,766
2026		91,510
2027		97,639
2028		104,178
Thereafter		887,174
		<hr/>
	\$	<u>1,350,485</u>

Note 6. Leases

Leases – Lessee

The Center holds a lease for office space under an operating lease agreement with a 3-year initial term and payments of \$4,263 per month. The fee for the lease includes \$758 in utility costs that are allocated to the Center. The lease expires in September 2024. The lease includes multiyear renewal options. The exercise of these renewal options is at the sole discretion of the Center, and only lease options the Center believes are reasonably certain to exercise are included in the measurement of lease assets and liabilities.

The Center leases office space and shared-use conference rooms under an operating lease with payments of \$884 per month. Rent payments are increased by 5% annually. The lease term is 3 years and expires in October 2024.

The Center leases a facility for actor and/or employee housing under an operating lease. The lease requires annual rate increases, and currently consists of average monthly payments of \$14,932. The lease expires in June 2028. An additional rental agreement for housing does not have an ending date and is paid month-to-month with a payment of \$1,500.

The lease agreements do not include any material residual value guarantees or restrictive covenants.

Weighted average lease term and discount rate as of September 30, 2023 were as follows:

Weighted average remaining lease term for operating lease	4.59 years
Weighted average discount interest rate for operating lease	4.12%

Unless the lease terms explicitly state an interest rate, the Center uses the risk-free rate provided by the U.S. Treasury as the discount rate, as allowed under Accounting Standards Update No. 2021-09.

(Continued)

AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 6. Leases (Continued)

Lease liability maturities as of September 30, 2023 are as follows:

2024	\$	235,132
2025		233,535
2026		242,085
2027		252,087
2028		<u>163,355</u>
Total undiscounted liabilities		1,126,194
Less: present value discount		<u>(104,946)</u>
Total lease liability	\$	<u><u>1,021,248</u></u>

Note 7. In-Kind Contributions

The Center did not receive any in-kind donated materials or donated services during the year ended September 30, 2023. The Center received \$900 of donated materials to be used for props and other program activities during the year ended September 30, 2022. These in-kind donations were recorded at their estimated fair market value. The value of these items is included on the statements of activities.

Note 8. Pension Contributions

The Center contributes funds to the Equity League Pension and Health Trust Fund on behalf of covered actors under a contract with Actors Equity Association. Contributions amounted to \$37,673 and \$29,005 for the years ended September 30, 2023 and 2022, respectively.

Note 9. Net Assets with Donor Restrictions

Net assets with purpose and time restrictions consist of endowment earnings net of fees and contributions receivable to be received in the future that are not designated for endowment. Net assets with donor restrictions are available for the following purposes:

	<u>2023</u>	<u>2022</u>
Globe theater research	\$ 15,593	\$ 15,593
Touring set	3,834	3,834
Grants	1,001	-
Interest income on endowment	<u>4,383</u>	<u>4,190</u>
	<u><u>\$ 24,811</u></u>	<u><u>\$ 23,617</u></u>

Perpetually restricted net assets consist of all amounts restricted for endowment. Perpetually restricted net assets were \$89,171 and \$87,171 at September 30, 2023 and 2022, respectively. See Note 3 for additional detail on perpetual restriction.

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AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 10. Liquidity and Availability

The following table reflects the Center's financial assets as of September 30, reduced for amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, or because the governing board has set aside the funds for a specific purpose. These board designations could be drawn upon if the board approves that action. The Center considers general expenditures to be all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 259,845	\$ 346,870
Trade receivables	719	1,424
Grant receivables	11,790	6,779
Total financial assets	<u>272,354</u>	<u>355,073</u>
Less those unavailable for general expenditure within one year:		
Donor-restricted funds	<u>(20,427)</u>	<u>(19,427)</u>
Total unavailable assets	<u>(20,427)</u>	<u>(19,427)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 251,927</u>	<u>\$ 335,646</u>

Note 11. Revenue Recognition

The following table summarizes revenue by the Center's main sources of revenue from contracts with customers for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Performances	\$ 2,247,492	\$ 1,073,866
Bar and Gift Store	<u>125,111</u>	<u>41,108</u>
	<u>\$ 2,372,603</u>	<u>\$ 1,114,974</u>

(Continued)

AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 11. Revenue Recognition (Continued)

Accounts receivable from contracts with customers were as follows:

	<u>2023</u>	<u>2022</u>
Receivables from contracts with customers, net:		
Beginning of year	\$ 1,424	\$ 2,428
End of year	\$ 719	\$ 1,424

Deferred revenue from contracts with customers were as follows:

	<u>2023</u>	<u>2022</u>
Deferred Revenue from contracts with customers, net:		
Beginning of year	\$ 373,513	\$ 397,754
End of year	\$ 373,501	\$ 373,513

The following is a description of principal activities from which the Center generates its revenues from customers:

Performances

The performance of plays results in the satisfaction of the Center's performance obligation. Customers pay in advance and revenue is recognized as the play is completed.

Ticket prices include variable consideration for negotiated pricing agreements per customer based on contractual agreements or discounts. Management recognizes variable consideration as ticket sales are made to each customer as the variable consideration is specifically identifiable to each customer and does not require the use of estimates.

Gift store

The sale and transfer of ownership of merchandise to customers results in the satisfaction of the Center's performance obligation. Revenue is recognized at the point of sale.

Use of practical expedients

The Center applies revenue recognition on a portfolio basis for each revenue stream.

Note 12. Related Party Transactions

Mary Baldwin University (MBU) and the Center have entered into an agreement under which MBU pays an annual fee of \$65,000 in order to gain access to Blackfriars Playhouse and staff to facilitate their educational programs during the academic year. This contract is renewable on an annual basis.

The Center is regularly supported by its officers and trustees. The Center received \$148,791 and \$70,370 for the years ended September 30, 2023 and 2022, respectively.

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AMERICAN SHAKESPEARE CENTER

NOTES TO FINANCIAL STATEMENTS

September 30, 2023

Note 13. Prior Period Adjustment

The Center performed a review of its previously report deferred revenue balances and it was discovered that some consortium agreements with universities had expired in prior years and that certain amounts that were recognized as revenue in prior years were re-recorded in the current year. The impact of this prior period adjustment was a decrease to beginning net assets in the amount of \$21,398.