

WILLIAMSTOWN THEATRE FOUNDATION, INC.
Financial Statements
December 31, 2023 and 2022
With Independent Auditor's Report

Williamstown Theatre Foundation, Inc.
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December 31, 2023 and 2022

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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, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 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 ("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.

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 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.

Withum Smith + Brown, PC

July 15, 2024

Williamstown Theatre Foundation, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 1,040,835	\$ 37,500	\$ 1,078,335	\$ 979,330	\$ -	\$ 979,330
Accounts receivable	1,889	-	1,889	1,817	-	1,817
Unconditional promises to give, current portion	11,551	933,613	945,164	155,825	-	155,825
Prepaid expenses	83,366	-	83,366	22,256	-	22,256
Total current assets	1,137,641	971,113	2,108,754	1,159,228	-	1,159,228
Restricted cash and cash equivalents	167,359	-	167,359	139,896	-	139,896
Investments	1,187,956	5,603,226	6,791,182	1,430,269	4,794,773	6,225,042
Unconditional promises to give, net of current portion	-	1,549,492	1,549,492	-	-	-
Property and equipment, at cost, net of accumulated depreciation and amortization	1,285,658	-	1,285,658	1,334,388	-	1,334,388
Right-of-use asset - operating, net	743,355	-	743,355	862,212	-	862,212
Deposit	26,055	-	26,055	26,055	-	26,055
Total assets	\$ 4,548,024	\$ 8,123,831	\$ 12,671,855	\$ 4,952,048	\$ 4,794,773	\$ 9,746,821
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	\$ 222,495	\$ -	\$ 222,495	\$ 349,500	\$ -	\$ 349,500
Deferred revenue	148,574	-	148,574	44,775	-	44,775
Current portion of lease liabilities - operating	131,408	-	131,408	123,977	-	123,977
Total current liabilities	502,477	-	502,477	518,252	-	518,252
Lease liabilities - operating, net of current portion	642,853	-	642,853	765,487	-	765,487
Total liabilities	1,145,330	-	1,145,330	1,283,739	-	1,283,739
Net assets						
Without donor restrictions						
Property and equipment, net	1,285,658	-	1,285,658	1,334,388	-	1,334,388
Board-designated	599,070	-	599,070	500,000	-	500,000
Undesignated net assets	1,517,966	-	1,517,966	1,833,921	-	1,833,921
With donor restrictions	-	8,123,831	8,123,831	-	4,794,773	4,794,773
Total net assets	3,402,694	8,123,831	11,526,525	3,668,309	4,794,773	8,463,082
Total liabilities and net assets	\$ 4,548,024	\$ 8,123,831	\$ 12,671,855	\$ 4,952,048	\$ 4,794,773	\$ 9,746,821

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

Williamstown Theatre Foundation, Inc.
Statements of Activities
Years Ended December 31, 2023 and 2022

	2023			2022		
	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	\$ 1,918,240	\$ 2,520,605	\$ 4,438,845	\$ 1,834,437	\$ 87,857	\$ 1,922,294
Government grants	134,300	-	134,300	47,300	-	47,300
Contributions of non-financial assets	3,100	-	3,100	8,866	-	8,866
Fundraising event	-	-	-	405,575	-	405,575
Less: Direct costs of fundraising event	-	-	-	(124,910)	-	(124,910)
Fundraising event, net	-	-	-	280,665	-	280,665
Spending appropriations	157,794	-	157,794	179,220	-	179,220
Net assets released from time and purpose restrictions	-	-	-	500,000	(500,000)	-
Total public support	2,213,434	2,520,605	4,734,039	2,850,488	(412,143)	2,438,345
Other revenue						
Ticket sales and service charges	283,722	-	283,722	701,143	-	701,143
Co-production income	30,000	-	30,000	-	-	-
Rental income	24,956	-	24,956	42,827	-	42,827
Program advertising	16,500	-	16,500	44,455	-	44,455
Other income	1,494	-	1,494	46,975	-	46,975
Total public support and other revenue	2,570,106	2,520,605	5,090,711	3,685,888	(412,143)	3,273,745
Expenses						
Program services	2,252,884	-	2,252,884	3,658,279	-	3,658,279
Supporting services						
Management and general	427,772	-	427,772	466,620	-	466,620
Fundraising	387,252	-	387,252	449,917	-	449,917
Total supporting services	815,024	-	815,024	916,537	-	916,537
Total expenses	3,067,908	-	3,067,908	4,574,816	-	4,574,816
Changes in net assets before non-operating activities	(497,802)	2,520,605	2,022,803	(888,928)	(412,143)	(1,301,071)
Non-operating activities						
Investment income (loss), net	232,187	966,247	1,198,434	(453,474)	(721,730)	(1,175,204)
Spending appropriations	-	(157,794)	(157,794)	-	(179,220)	(179,220)
Total non-operating activities	232,187	808,453	1,040,640	(453,474)	(900,950)	(1,354,424)
Changes in net assets	(265,615)	3,329,058	3,063,443	(1,342,402)	(1,313,093)	(2,655,495)
Net assets						
Beginning of year	3,668,309	4,794,773	8,463,082	5,010,711	6,107,866	11,118,577
End of year	\$ 3,402,694	\$ 8,123,831	\$ 11,526,525	\$ 3,668,309	\$ 4,794,773	\$ 8,463,082

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

Williamstown Theatre Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries and artistic fees	\$ 933,432	\$ 126,139	\$ 201,823	\$ 327,962	\$ 1,261,394
Employee benefits	92,194	12,459	19,934	32,393	124,587
Payroll taxes	69,763	9,427	15,084	24,511	94,274
Production costs	259,506	-	-	-	259,506
Scripts and royalties	60,197	-	-	-	60,197
Advertising and promotion	76,496	-	-	-	76,496
Program printing	15,266	-	-	-	15,266
Meetings and hospitality	-	-	22,370	22,370	22,370
Office supplies and expenses	14,531	1,964	3,142	5,106	19,637
Telephone	10,431	1,410	2,255	3,665	14,096
Insurance	76,583	10,349	16,558	26,907	103,490
Credit card and bank fees	16,741	-	-	-	16,741
Utilities, repairs and maintenance	46,214	6,245	9,992	16,237	62,451
Housing, office and storage lease	183,513	8,027	34,947	42,974	226,487
Transportation and hauling	55,928	-	-	-	55,928
Professional fees	300,735	246,163	52,205	298,368	599,103
Miscellaneous	5,295	716	1,145	1,861	7,156
Depreciation and amortization	36,059	4,873	7,797	12,670	48,729
Total expenses	\$ 2,252,884	\$ 427,772	\$ 387,252	\$ 815,024	\$ 3,067,908

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

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

	Program Services	Supporting Services			Cost of Direct Benefits to Donors	Total Expenses
		Management and General	Fundraising	Total		
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
	<u>3,658,279</u>	<u>466,620</u>	<u>449,917</u>	<u>916,537</u>	<u>124,910</u>	<u>4,699,726</u>
Less: Expenses included with revenues on the statements of activities						
Direct costs of fundraising event	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(124,910)</u>	<u>(124,910)</u>
Total expenses	<u>\$ 3,658,279</u>	<u>\$ 466,620</u>	<u>\$ 449,917</u>	<u>\$ 916,537</u>	<u>\$ -</u>	<u>\$ 4,574,816</u>

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

Williamstown Theatre Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating and non-operating activities		
Changes in net assets	\$ 3,063,443	\$ (2,655,495)
Adjustments to reconcile change in net assets to net cash used in operating and non-operating activities		
Depreciation and amortization expense	48,729	50,143
Donated securities	(34,136)	(6,981)
Realized loss on sale of investments	51,208	50,670
Unrealized (gain) loss on investments	(1,106,739)	1,225,458
Amortization of right-of-use asset - operating	128,307	123,386
Discount for present value and allowance for uncollectible accounts	228,895	-
Endowment contributions	-	(87,857)
Change in assets and liabilities		
Accounts receivable	(72)	22,946
Unconditional promises to give	(2,567,726)	(81,390)
Prepaid expenses	(61,110)	25,548
Employee retention tax credit receivable	-	82,150
Accounts payable and accrued expenses	(127,005)	35,657
Deferred revenue	103,799	(37,659)
Lease liabilities - operating	(124,653)	(96,134)
Net cash used in operating and non-operating activities	<u>(397,060)</u>	<u>(1,349,558)</u>
Investing activities		
Purchase of investments	(1,140,256)	(1,577,110)
Proceeds from sales of investments	<u>1,663,784</u>	<u>1,076,027</u>
Net cash provided by (used in) investing activities	<u>523,528</u>	<u>(501,083)</u>
Financing activity		
Endowment contributions	-	87,857
Net cash provided by financing activity	<u>-</u>	<u>87,857</u>
Net change in cash, cash equivalents and restricted cash	126,468	(1,762,784)
Cash, cash equivalents and restricted cash		
Beginning of year	<u>1,119,226</u>	<u>2,882,010</u>
End of year	<u>\$ 1,245,694</u>	<u>\$ 1,119,226</u>
Reconciliation of cash, cash equivalents and restricted cash to statements of financial position		
Cash and cash equivalents	\$ 1,078,335	\$ 979,330
Restricted cash and cash equivalents - Union obligations	<u>167,359</u>	<u>139,896</u>
	<u>\$ 1,245,694</u>	<u>\$ 1,119,226</u>
Non-cash activities		
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ -</u>	<u>\$ 985,598</u>

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

Williamstown Theatre Foundation, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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 brought a fresh perspective to the operational changes needed by the Organization. The Organization had a more condensed 2023 Season, including workshops and readings and fewer mainstage performances. The 2024 Season once again has fully staged productions inside the theaters and a newly conceived festival-within-a-festival weekend called WTF IS NEXT which contains 13 different events.

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 ("U.S. GAAP").

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (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. These net assets may be used at the discretion of the Organization's management.

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 the 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 and other nonrecurring charges and expenses not chargeable to grants and contracts are recognized as nonoperating activities.

Williamstown Theatre Foundation, Inc.
Notes to Financial Statements
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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

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 under FASB ASC 820 are described as follows:

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 and significant to the fair value measurement.

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, exchange-traded funds 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, 2023 and 2022 was \$76,496 and \$100,949, 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.

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Property and Equipment

Property and equipment acquired are recorded at cost less accumulated depreciation, which is computed primarily using the straight-line method over the estimated useful lives of the assets. 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.

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amounts of the assets may not be fully recoverable. Management has determined that no triggering event has occurred during the years ended December 31, 2023 and 2022, and therefore, there has been no impairment of long-lived assets.

Estimates

The preparation of financial statements in accordance with U.S. 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, present value of promises to give, allowance of reserve for uncollectible promises, 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, 2023 and 2022, 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 June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instruments*, which is effective for fiscal years beginning after December 15, 2022, and requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The Organization adopted the new standard effective January 1, 2023. The adoption of the ASU had no material impact on the Organization's financial statements.

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Notes to Financial Statements
December 31, 2023 and 2022

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 2023 and 2022.

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

Grants, 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.

Williamstown Theatre Foundation, Inc.
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Fundraising Events

Fundraising event 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.

Program Advertising

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, 2023 and 2022 were \$1,889 and \$1,817, respectively. Contract liabilities as of December 31, 2023 and 2022 were \$148,574 and \$44,775, respectively. Accounts receivable and contract liabilities as of January 1, 2022 were \$24,763 and \$82,434, respectively.

2. RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net Assets Without Donor Restrictions

During the 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. The investment earnings (losses) are added to (reduced) the balance of the fund. Board-designated net assets as of December 31, 2023 and 2022 were \$599,070 and \$500,000, respectively.

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Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Grants and Contributions		
Future periods ("WTF IS NEXT" Campaign)	\$ 2,712,000	\$ -
Future periods and programs	1,322,149	1,076,861
Accumulated endowment earnings	<u>901,053</u>	<u>300,388</u>
	<u>4,935,202</u>	<u>1,377,249</u>
Less: Discount for present value	(93,295)	-
Less: Allowance for uncollectible accounts	<u>(135,600)</u>	<u>-</u>
	<u>4,706,307</u>	<u>1,377,249</u>
 Donor-Designated Endowment (to be held in perpetuity)		
General Endowment	2,525,279	2,525,279
Scholarship Endowment	<u>892,245</u>	<u>892,245</u>
	<u>3,417,524</u>	<u>3,417,524</u>
	<u>\$ 8,123,831</u>	<u>\$ 4,794,773</u>

"WTF IS NEXT" Campaign

During the year ended December 31, 2023, to celebrate 70 years of creative excellence and to ensure the organization's continued success, the organization launched the WTF IS NEXT campaign (the "Campaign"). The Campaign's intention is to raise \$30 million in order to support operations between 2024 and 2028.

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 assistants at the Organization.

The Board of Directors of the Organization has 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.

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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:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 3,717,912	\$ 4,287,604
Contributions	-	87,857
Spending appropriations	(157,794)	(179,220)
Investment return, net	<u>758,459</u>	<u>(478,329)</u>
Endowment net assets, end of year	<u>\$ 4,318,577</u>	<u>\$ 3,717,912</u>
Amount required to be maintained in perpetuity	\$ 3,417,524	\$ 3,417,524
Accumulated endowment earnings	<u>901,053</u>	<u>300,388</u>
	<u>\$ 4,318,577</u>	<u>\$ 3,717,912</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, 2023 and 2022.

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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 of this nature at December 31, 2023 and 2022.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 1,040,835	\$ 979,330
Accounts receivable	1,889	1,817
Unconditional promises to give	<u>11,551</u>	<u>155,825</u>
	1,054,275	1,136,972
Liquidity resources		
Unused line of credit	<u>500,000</u>	<u>500,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 1,554,275</u>	<u>\$ 1,636,972</u>

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 a maximum availability of \$500,000.

4. CONCENTRATION OF CREDIT RISK

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, 2023 and 2022, restricted cash consisted of a restricted certificate of deposit of \$167,359 and \$139,896, 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, 2023 and 2022 consist of common stocks, corporate bonds, exchange-traded funds and US Treasury securities and investments at net asset value.

There were no changes in investment leveling methodologies for the years ended December 31, 2023 and 2022. There were no transfers, purchases or issuances of level 3 investments during the years ended December 31, 2023 and 2022.

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The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023 and 2022:

2023	Fair Value			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 983,730	\$ -	\$ -	\$ 983,730
Common stocks	4,262,945	-	-	4,262,945
Corporate bonds	-	678,051	-	678,051
US Treasury securities	793,283	-	-	793,283
	<u>\$ 6,039,958</u>	<u>\$ 678,051</u>	<u>\$ -</u>	<u>\$ 6,718,009</u>
Investments measured at net asset value (1)				73,173
			Total investments	<u>\$ 6,791,182</u>

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
	<u>\$ 5,431,326</u>	<u>\$ 727,986</u>	<u>\$ -</u>	<u>\$ 6,159,312</u>
Investments measured at net asset value (1)				65,730
			Total investments	<u>\$ 6,225,042</u>

Strategies	2023 NAV	2022 NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled fund (1)	<u>\$ 73,173</u>	<u>\$ 65,730</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 (loss), net consists of the following for the years ended December 31:

	2023	2022
Unrealized gain (loss) on investments	\$ 1,106,739	\$ (1,225,458)
Interest and dividend income	157,752	114,965
Realized loss on sale of investments	(51,208)	(50,670)
Investment fees	(14,849)	(14,041)
Total investment income (loss), net	<u>\$ 1,198,434</u>	<u>\$ (1,175,204)</u>

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6. UNCONDITIONAL PROMISES TO GIVE

When estimating the 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, 2023, unconditional promises to give to be received after one year are discounted at a risk-adjusted rate of 5%. As of December 31, 2022, all unconditional promises to give were due within one year. The Organization received approximately 5% and 12% of total contributions from the board members for the years ended December 31, 2023 and 2022, respectively. The Organization implemented a policy of recording an allowance for uncollectible promises to give using a rate of 5% for the "WTF IS NEXT" Campaign pledges.

The table below presents information about unconditional promises to give at December 31, 2023:

	<u>Less Than One Year</u>	<u>Two to Three Years</u>	<u>Total</u>
Without donor restrictions	\$ 11,551	\$ -	\$ 11,551
With donor restrictions	982,750	1,729,250	2,712,000
Less: Discount for present value	-	(93,295)	(93,295)
Less: Allowance for uncollectible accounts	<u>(49,138)</u>	<u>(86,462)</u>	<u>(135,600)</u>
	<u>\$ 945,163</u>	<u>\$ 1,549,493</u>	<u>\$ 2,494,656</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following on December 31:

<u>Description</u>	<u>Estimated Life (Years)</u>	<u>2023</u>	<u>2022</u>
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	<u>92,786</u>	<u>92,786</u>
		1,658,825	1,658,825
Less: Accumulated depreciation		<u>(373,167)</u>	<u>(324,437)</u>
		<u>\$ 1,285,658</u>	<u>\$ 1,334,388</u>

Depreciation expense for the years ended December 31, 2023 and 2022 were \$48,729 and \$50,143, respectively.

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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 a 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 (8.5% and 7.5% as of December 31, 2023 and 2022, respectively). The line of credit is automatically renewed on an annual basis. As of December 31, 2023 and 2022, no amounts have been drawn on the line of credit and no amounts were drawn during the years ended December 31, 2023 and 2022.
- 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, 2023 and 2022 is 1.19%. The weighted average remaining lease term associated with the leases as of December 31, 2023 and 2022 is approximately 7 and 8 years, respectively.

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, 2023 and 2022 were \$134,872 and \$112,370, 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, 2023 and 2022 was \$140,448 and \$109,650, respectively.

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Under 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, 2023 (for office space located in New York, NY and Artists' residential space located in Williamstown, Massachusetts):

Year ending December 31, 2024	\$	141,924
“ “ “ December 31, 2025		89,577
“ “ “ December 31, 2026		91,816
“ “ “ December 31, 2027		95,261
“ “ “ December 31, 2028		101,090
Thereafter through October 31, 2031		<u>299,984</u>
		819,652
Less: Imputed interest		<u>(45,391)</u>
Lease liability as of December 31, 2023	\$	<u><u>774,261</u></u>

Future minimum lease payments under operating leases as of December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Year ending December 31, 2023	\$ -	\$ 136,048
“ “ “ December 31, 2024	141,924	133,124
“ “ “ December 31, 2025	89,577	89,577
“ “ “ December 31, 2026	91,816	91,816
“ “ “ December 31, 2027	95,261	95,261
“ “ “ December 31, 2028	101,090	101,090
Thereafter through October 31, 2031	<u>299,984</u>	<u>299,984</u>
	<u>\$ 819,652</u>	<u>\$ 946,900</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 the employee's regular salary and the employees contribute 3%. The Organization's contributions to the plan were \$47,083 and \$34,258 for the years ended December 31, 2023 and 2022, respectively.

- b) The Organization contributed to four (2023) and five (2022) 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.

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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. Three 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 9% and 13% of the Organization’s employees and contractors were participants in multiemployer plans for the years ended December 31, 2023 and 2022. Pension and welfare contributions for multiemployer plans were \$12,694 and \$41,719 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022 in support of its programs and operations, which are recognized in the statements of activities and included:

<u>Non-Financial Contributions Category</u>	<u>Type of Contributions</u>	<u>Valuation</u>	<u>2023</u>	<u>2022</u>
Food items	Various foods	U.S. wholesales prices of identical or similar products	\$ 3,000	\$ 766
Professional services	Readings honorariums and stipends	Standard industry pricing for similar services	100	2,850
Professional services	Graphic design services	Standard industry pricing for similar services	-	5,250
			<u>\$ 3,100</u>	<u>\$ 8,866</u>

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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 the year ended December 31, 2023, the Organization held full-staged readings and a cabaret series at the performance space provided by Williams College. For the year ended December 31, 2022, the Organization had three productions held at the performance space provided by the College. As of December 31, 2023 and 2022, the amount due to Williams College was \$74,760 and \$184,016, respectively, which were all subsequently paid. The Organization renewed the agreement with the College for the 2024 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, 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 July 15, 2024, 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.