

Ford's Theatre Society

Financial Report
August 31, 2022

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Ford's Theatre Society

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ford's Theatre Society (the Society), which comprise the statements of financial position as of August 31, 2022 and 2021, 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 Society as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Society 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 Society's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 and *Government 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 GAAS and *Government 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 the Society'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 Society'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
November 21, 2022

Ford's Theatre Society

**Statements of Financial Position
August 31, 2022 and 2021**

	2022	2021
Assets		
Cash and cash equivalents	\$ 9,925,793	\$ 8,834,529
Investments	16,086,162	18,202,184
Accounts receivable	32,032	36,538
Promises to give, net:		
Capital campaign	6,016,440	5,538,365
Other promises to give	134,583	595,269
Direct pre-production expenses	320,442	734,406
Prepaid expenses and other assets	304,446	354,789
Property and equipment, net	38,096,319	38,939,151
	\$ 70,916,217	\$ 73,235,231
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 1,102,985	\$ 980,153
Advance ticket sales	339,731	182,852
Forgivable loan	-	1,258,500
Notes payable	3,500,000	6,750,000
Total liabilities	4,942,716	9,171,505
Commitments and contingencies (Note 13)		
Net assets:		
Without donor restrictions:		
Operational use	31,553,114	31,263,019
Board-designated	3,252,632	4,502,632
Total net assets without donor restrictions	34,805,746	35,765,651
With donor restrictions	31,167,755	28,298,075
Total net assets	65,973,501	64,063,726
Total liabilities and net assets	\$ 70,916,217	\$ 73,235,231

See notes to financial statements.

Ford's Theatre Society

Statement of Activities Year Ended August 31, 2022

	Without Donor Restrictions			With Donor Restrictions	
	Undesignated	Board-Designated	Total	Restrictions	Total
Revenue:					
Production	\$ 2,748,534	\$ -	\$ 2,748,534	\$ -	\$ 2,748,534
Other income	1,284,931	-	1,284,931	-	1,284,931
Day visits and audio tours	753,387	-	753,387	-	753,387
Total revenue	4,786,852	-	4,786,852	-	4,786,852
Support:					
Public support contributions	4,160,683	-	4,160,683	5,288,080	9,448,763
Government grants	3,146,993	-	3,146,993	-	3,146,993
Gala contributions	1,325,000	-	1,325,000	-	1,325,000
Gain on loan forgiveness	1,258,500	-	1,258,500	-	1,258,500
In-kind contributions	186,647	-	186,647	-	186,647
Net assets released from restrictions	701,942	-	701,942	(701,942)	-
Total support	10,779,765	-	10,779,765	4,586,138	15,365,903
Total revenue and support	15,566,617	-	15,566,617	4,586,138	20,152,755
Expenses:					
Program services:					
Artistic, production and technical	7,900,369	-	7,900,369	-	7,900,369
Outreach and education	793,431	-	793,431	-	793,431
Total program services	8,693,800	-	8,693,800	-	8,693,800
Supporting services:					
General and administrative	2,841,110	-	2,841,110	-	2,841,110
Fundraising	1,470,523	-	1,470,523	-	1,470,523
Marketing and public relations	1,132,682	-	1,132,682	-	1,132,682
Gala production	479,780	-	479,780	-	479,780
Total supporting services	5,924,095	-	5,924,095	-	5,924,095
Total expenses before other activities	14,617,895	-	14,617,895	-	14,617,895
Changes in net assets before other activities	948,722	-	948,722	4,586,138	5,534,860
Other activities:					
Transfers	1,250,000	(1,250,000)	-	-	-
Net investment return	(467,194)	-	(467,194)	(1,716,458)	(2,183,652)
Depreciation and amortization	(1,351,407)	-	(1,351,407)	-	(1,351,407)
Capital campaign expense	(90,026)	-	(90,026)	-	(90,026)
Changes in net assets	290,095	(1,250,000)	(959,905)	2,869,680	1,909,775
Net assets:					
Beginning	31,263,019	4,502,632	35,765,651	28,298,075	64,063,726
Ending	\$ 31,553,114	\$ 3,252,632	\$ 34,805,746	\$ 31,167,755	\$ 65,973,501

See notes to financial statements.

Ford's Theatre Society

Statement of Activities Year Ended August 31, 2021

	Without Donor Restrictions			With Donor Restrictions	
	Undesignated	Board-Designated	Total	Restrictions	Total
Revenue:					
Other income	\$ 58,484	\$ -	\$ 58,484	\$ -	\$ 58,484
Day visits and audio tours	141,062	-	141,062	-	141,062
Total revenue	199,546	-	199,546	-	199,546
Support:					
Public support contributions	3,253,375	-	3,253,375	1,429,025	4,682,400
Government grants	4,756,169	-	4,756,169	-	4,756,169
Gala contributions	935,000	-	935,000	-	935,000
Gain on loan forgiveness	1,285,500	-	1,285,500	-	1,285,500
In-kind contributions	157,944	-	157,944	-	157,944
Loss on restricted promise to give	-	-	-	(5,000,000)	(5,000,000)
Endowment return appropriated for expenditures	182,280	-	182,280	(182,280)	-
Net assets released from restrictions	664,651	-	664,651	(664,651)	-
Total support	11,234,919	-	11,234,919	(4,417,906)	6,817,013
Total revenue and support	11,434,465	-	11,434,465	(4,417,906)	7,016,559
Expenses:					
Program services:					
Artistic, production and technical	2,600,720	-	2,600,720	-	2,600,720
Outreach and education	709,212	-	709,212	-	709,212
Total program services	3,309,932	-	3,309,932	-	3,309,932
Supporting services:					
General and administrative	2,094,385	-	2,094,385	-	2,094,385
Fundraising	802,327	-	802,327	-	802,327
Marketing and public relations	862,501	-	862,501	-	862,501
Total supporting services	3,759,213	-	3,759,213	-	3,759,213
Total expenses before other activities	7,069,145	-	7,069,145	-	7,069,145
Changes in net assets before other activities	4,365,320	-	4,365,320	(4,417,906)	(52,586)
Other activities:					
Transfers	(4,035,000)	4,035,000	-	-	-
Net investment return	288,652	-	288,652	2,678,456	2,967,108
Depreciation and amortization	(1,421,790)	-	(1,421,790)	-	(1,421,790)
Capital campaign expense	(79,573)	-	(79,573)	-	(79,573)
Changes in net assets	(882,391)	4,035,000	3,152,609	(1,739,450)	1,413,159
Net assets:					
Beginning	32,145,410	467,632	32,613,042	30,037,525	62,650,567
Ending	\$ 31,263,019	\$ 4,502,632	\$ 35,765,651	\$ 28,298,075	\$ 64,063,726

See notes to financial statements.

Ford's Theatre Society

Statement of Functional Expenses Year Ended August 31, 2022

	Program Services			Supporting Services					
	Artistic, Production and Technical	Outreach and Education	Total Program Services	General and Administrative	Fundraising	Marketing and Public Relations	Gala Production	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 4,147,149	\$ 517,329	\$ 4,664,478	\$ 1,679,421	\$ 632,176	\$ 531,284	\$ 172,194	\$ 3,015,075	\$ 7,679,553
Production	2,027,527	21,559	2,049,086	-	191,574	-	135,629	327,203	2,376,289
Occupancy	522,070	65,520	587,590	212,699	80,065	67,287	21,808	381,859	969,449
Payroll taxes	285,157	31,909	317,066	114,731	51,869	40,338	10,805	217,743	534,809
Travel and housing	298,885	111,203	410,088	2,770	5,574	11,719	87,841	107,904	517,992
Professional fees	43,195	113	43,308	293,308	24,855	64,239	-	382,402	425,710
Catering	-	8,314	8,314	-	330,310	300	-	330,610	338,924
Advertising and promotion	-	6,894	6,894	-	-	320,778	-	320,778	327,672
Office expenses	175,997	5,879	181,876	101,361	6,421	2,107	6,025	115,914	297,790
Miscellaneous	51,520	597	52,117	101,783	71,560	3,877	30,929	208,149	260,266
Bank and credit card fees	-	-	-	144,032	-	-	-	144,032	144,032
Royalties	136,461	-	136,461	-	-	-	-	-	136,461
Information technology	-	3,419	3,419	118,427	-	-	-	118,427	121,846
Insurance	62,096	7,793	69,889	25,299	9,523	8,003	2,594	45,419	115,308
Safety	111,041	-	111,041	-	-	-	1,180	1,180	112,221
Printing and reproduction	1,358	798	2,156	-	41,555	34,852	10,775	87,182	89,338
Subscriptions and dues	17,523	4,152	21,675	32,022	15,492	7,999	-	55,513	77,188
Postage	2,763	253	3,016	4,891	9,480	33,892	-	48,263	51,279
Staff training	17,627	7,699	25,326	10,366	69	6,007	-	16,442	41,768
Total expenses before other activities	7,900,369	793,431	8,693,800	2,841,110	1,470,523	1,132,682	479,780	5,924,095	14,617,895
Depreciation and amortization	727,763	91,334	819,097	296,501	111,610	93,798	30,401	532,310	1,351,407
Capital campaign	-	-	-	-	90,026	-	-	90,026	90,026
Total expenses	\$ 8,628,132	\$ 884,765	\$ 9,512,897	\$ 3,137,611	\$ 1,672,159	\$ 1,226,480	\$ 510,181	\$ 6,546,431	\$ 16,059,328

See notes to financial statements.

Ford's Theatre Society

**Statement of Functional Expenses
Year Ended August 31, 2021**

	Program Services			Supporting Services				
	Artistic, Production and Technical	Outreach and Education	Total Program Services	General and Administrative	Fundraising	Marketing and Public Relations	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 1,672,733	\$ 528,870	\$ 2,201,603	\$ 1,019,419	\$ 552,496	\$ 589,864	\$ 2,161,779	\$ 4,363,382
Production	244,548	8,692	253,240	-	-	-	-	253,240
Occupancy	307,051	97,080	404,131	197,883	101,418	108,277	407,578	811,709
Payroll taxes	96,143	32,685	128,828	63,222	44,797	36,904	144,923	273,751
Travel and housing	3,201	24	3,225	-	369	-	369	3,594
Professional fees	15,350	876	16,226	404,362	18,955	73,806	497,123	513,349
Catering	-	-	-	-	20,005	-	20,005	20,005
Advertising and promotion	-	6,249	6,249	-	-	22,138	22,138	28,387
Office expenses	123,922	2,102	126,024	69,597	2,961	1,515	74,073	200,097
Miscellaneous	54,346	2,275	56,621	88,243	3,181	2,692	94,116	150,737
Bank and credit card fees	-	-	-	35,899	-	-	35,899	35,899
Information technology	40	8,659	8,699	139,606	-	-	139,606	148,305
Insurance	45,198	14,290	59,488	29,128	14,929	15,938	59,995	119,483
Safety	35,856	-	35,856	-	-	-	-	35,856
Printing and reproduction	-	-	-	-	18,724	-	18,724	18,724
Subscriptions and dues	531	3,668	4,199	41,044	16,928	2,164	60,136	64,335
Postage	1,556	499	2,055	4,390	5,888	6,364	16,642	18,697
Staff training	245	3,243	3,488	1,592	1,676	2,839	6,107	9,595
Total expenses before other activities	2,600,720	709,212	3,309,932	2,094,385	802,327	862,501	3,759,213	7,069,145
Depreciation and amortization	537,830	170,046	707,876	346,613	177,643	189,658	713,914	1,421,790
Capital campaign	-	-	-	-	79,573	-	79,573	79,573
Total expenses	\$ 3,138,550	\$ 879,258	\$ 4,017,808	\$ 2,440,998	\$ 1,059,543	\$ 1,052,159	\$ 4,552,700	\$ 8,570,508

See notes to financial statements.

Ford's Theatre Society

Statements of Cash Flows Years Ended August 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,909,775	\$ 1,413,159
Adjustments to reconcile change in net assets to net assets to net cash provided by operating activities:		
Net realized and unrealized loss (gain) on investments	2,478,082	(2,591,020)
Change in discount on promises to give	(416,549)	(170,140)
Bad debt expense	9,589	43,530
Loss on restricted promise to give	-	5,000,000
Depreciation and amortization	1,351,407	1,421,790
Gain on loan forgiveness	(1,258,500)	(1,285,500)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(5,083)	7,268
Promises to give:		
Capital campaign	(2,436,832)	(400,000)
Other promises to give	460,686	(239,121)
Direct pre-production expenses	413,964	(422,318)
Prepaid expenses and other assets	50,343	(169,592)
Increase (decrease) in:		
Accounts payable and accrued expenses	122,832	153,074
Advance ticket sales	156,879	(60,312)
Net cash provided by operating activities	2,836,593	2,700,818
Cash flows from investing activities:		
Proceeds from sales of investments	1,880,667	1,124,398
Purchases of investments	(2,242,727)	(1,076,230)
Purchases of property and equipment	(508,575)	(933,030)
Net cash used in investing activities	(870,635)	(884,862)
Cash flows from financing activities:		
Proceeds from promises to give for capital campaign	2,375,306	2,767,371
Proceeds from forgivable loans	-	1,258,500
Proceeds from new note payable	-	8,750,000
Principal payment on old note payable	-	(8,750,000)
Principal payment on new note payable	(3,250,000)	(2,000,000)
Net cash (used in) provided by financing activities	(874,694)	2,025,871
Net increase in cash and cash equivalents	1,091,264	3,841,827
Cash and cash equivalents:		
Beginning	8,834,529	4,992,702
Ending	\$ 9,925,793	\$ 8,834,529
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 119,863	\$ 182,475
Supplemental schedule of non-cash financing activities:		
Extinguishment of debt via forgiveness (principal portion)	\$ 1,258,500	\$ 1,285,500

See notes to financial statements.

Ford's Theatre Society

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Ford's Theatre Society (the Society) was incorporated in 1967 as a nonprofit corporation in the District of Columbia. The Society explores the legacy of President Abraham Lincoln and celebrates the American experience through theatre and education.

Ford's Theatre officially reopened in 1968, more than 100 years after the assassination of President Abraham Lincoln, as a national historic site and a theatre producing live performances. Ford's Theatre is operated through a public-private partnership with the National Park Service. Ford's Theatre offers inspiring theatrical productions, interactive museum exhibits and engaging education programs where visitors can immerse themselves in America's past while finding meaningful connections to the world today. As a working theatre, the Society produces renowned plays, vibrant musicals and newly commissioned works that captivate and entertain while examining political and social issues related to Lincoln's legacy.

The Mary Jane Wick Endowment Fund (the MJW Endowment Fund) was incorporated in 1995 as a separate nonprofit corporation in the District of Columbia. The MJW Endowment Fund was established to accept and receive contributions to be held in perpetuity for the benefit of the Society. However, because no assets were actually held by this entity, the MJW Endowment Fund had no net assets and no activities as of and for the years ended August 31, 2022 and 2021. It is important to note that the Society has a separate net asset category that is referred to as The Mary Jane Wick Endowment Fund (the endowment fund) and the assets and activities of the Society's endowment fund have been included in the Society's financial statements. Management intends to legally dissolve the MJW Endowment Fund during the year ending August 31, 2023.

Program services include the following activities:

Artistic, production and technical: The activities of this program service include expenses related to production of all mainstage theatrical productions along with the seasonal runs of One Destiny and the Investigation, Detective McDevitt walking tour. Other programming includes virtual and in-person author talks, play readings and panel discussions on current events through a historical lens.

Outreach and education: The activities of this program service include virtual and in-person, local and national programs for students, teachers and other learners, often related to oratory skills, civil war history and Lincoln's legacy. In addition, all museum and exhibit related expenses are included.

Supporting services include the following activities:

General and administrative: The activities of this supporting service include the administrative processes of the Society, such as managing operations and financial responsibilities.

Fundraising: The activities of this supporting service include new donor acquisition, major donor cultivation and other activities that encourage and secure financial support for the Society.

Marketing and public relations: The activities of this supporting service include the promotion and advertising of all theatrical, education and museum related programming of the Society, as well as general community and press relations.

Gala production: Gala production expenses include the costs of producing the Society's annual fundraising event. Due to the COVID-19 pandemic, the Society did not host a Gala event during the year ended August 31, 2021.

Ford's Theatre Society

Notes to Financial Statements

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

A summary of the Society's significant accounting policies follows:

Basis of presentation: The Society follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the FASB ASC, the Society is required to report information regarding its net assets and its activities according to two categories: 1) net assets without donor restrictions and 2) net assets with donor restrictions.

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by Board designation. The Society's net assets without donor restrictions are summarized in Note 7.

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. In particular, in relation to the Society's capital campaign, which consists of contributions of cash or other assets that are restricted for the purchase of long-lived assets, the contributions are reported initially as an increase in net assets with donor restrictions that will be reclassified to net assets without donor restrictions when the restriction is released which will occur when the long-lived assets are placed in service. The Society's net assets with donor restrictions are summarized in Note 8.

Use of estimates: The preparation of the financial statements in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income taxes: The Society is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3) and, therefore, qualifies for the charitable contribution deduction. The Society has been determined not to be a private foundation under IRC Section 509(a)(2). The Society is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS). In addition, the Society is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. However, management has determined that the Society is not subject to unrelated business income tax. Therefore, the Society has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The MJW Endowment Fund received an exemption from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3). However, because no assets were separately held by this entity (they have been held by the Society), the MJW Endowment Fund has not annually filed Form 990. Therefore, the MJW Endowment Fund is no longer exempt from federal income taxes. However, since the MJW Endowment Fund has been financially dormant, it does not owe any federal or state income taxes.

Cash and cash equivalents: For financial statement purposes, the Society considers demand deposits and money market funds not held in the investment portfolio to be cash and cash equivalents.

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is recorded in net investment return.

Ford's Theatre Society

Notes to Financial Statements

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

Financial risk: The Society maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Society.

The Society invests in funds in a professionally managed portfolio of mutual funds. Such investments are exposed to market and credit risks and may be subject to fluctuations in fair value. As a result, the investment balances reported in the accompanying statements may not be reflective of the portfolio's value during subsequent periods.

Accounts receivable: Accounts receivable are presented at the gross, or face, amount due to the Society and includes exchange transaction revenues. The Society's exchange transaction revenue is derived from contracts with customers that have initial terms of one year or less. Accounts receivable totaled \$43,806 at September 1, 2020. Management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the customer and the age of the receivable balance. As a result of these reviews, receivable balances for which collection is deemed doubtful are charged to bad debt expense which totaled \$9,589 and \$43,530 for the years ended August 31, 2022 and 2021, respectively. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful accounts had been recorded.

Promises to give: Promises to give include unconditional promises to give from donors for 1) the Society's capital campaign and 2) for other contributions from donors. Promises to give related to the capital campaign are expected to be collected within one to five years and have been recorded at net present value using discount rates of 5.50% and 3.25% at August 31, 2022 and 2021, respectively. Promises to give related to other contributions from donors are expected to be collected within one year and have been recorded at net realizable value.

Management periodically reviews the status of all promises to give for collectability. Each promise to give is assessed based on management's knowledge of and relationship with the donor and the payment history of each donor. As a result of these reviews, promises to give deemed to be uncollectible are charged to bad debt loss within activities with donor restrictions and an allowance is recorded. The loss on restricted promise to give, which related to one donor, totaled \$0 and \$5,000,000 for the years ended August 31, 2022 and 2021, respectively and the promise to give was fully removed during the year ended August 31, 2022.

Direct pre-production expenses: Direct pre-production expenses include deferred costs related to specific seasons or productions. Deferred costs are capitalized and expensed during the related season or during the period in which a specific production is performed.

Property and equipment: Acquisitions of property and equipment greater than \$1,000 with a useful life of more than three years are recorded at cost and depreciated or amortized using the straight-line method over the estimated useful lives. Building, building improvements and leasehold improvements are depreciated or amortized using the straight-line method over 10 to 30 years. Production and audio equipment is depreciated using the straight-line method over three to 20 years. Furniture and office equipment and computer equipment and website are depreciated using the straight-line method over three to five years. Vehicles are depreciated using the straight-line method over five years. Capital projects in process and art are not depreciated.

Ford's Theatre Society

Notes to Financial Statements

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

Leasehold improvements include the Society's renovations of the theatre and museum located within the building owned by the U.S. Department of the Interior, National Park Service (NPS). Leasehold improvements also include the Atlantic Lobby, which allows access, including handicap access, to the theatre. Leasehold improvements are amortized over the estimated useful lives of the assets, which may be longer than the remaining terms of the underlying agreements because management believes that, in all likelihood, the underlying agreements will be extended past their current termination dates.

Valuation of long-lived assets: Long-lived property, such as real estate, that suffers a permanent impairment will be written down to fair value and an impairment loss equal to the difference between the property's carrying amount and fair value would be included as a reduction in the change in net assets from operations.

Revenue: Revenue includes the line items that have performance obligations such as production, other income, and day visits and audio tours. These revenue line items are considered contracts with customers. For contracts with customers that have similar terms, the Society uses the practical expedient under U.S. GAAP to analyze the entire revenue stream rather than analyzing each separate customer contract.

Revenue from contracts with customers includes performance obligations that are satisfied either at a point in time or over time, and most contracts have initial terms of one year or less. The Society performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if the Society is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for goods and services for which control has been transferred to the customer. If the certain criteria are met, revenue is recognized at a point in time.

The majority of the Society's revenue under contracts with customers is earned in the United States of America. The Society's contracts with customers do not include significant financing components or variable considerations.

Prices are specific to a distinct performance obligation and contracts with customers do not have multiple performance obligations. Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of revenue recognized in the financial statements. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue, or they can have a positive impact on cash flows in favorable economic conditions.

Production: Production revenue includes box office ticket sales for shows, which are recognized as revenue at the point in time when the related performances occur. Most of the Society's ticket sales are for productions that will be held within one year or less. Tickets sold in advance of a performance are recorded in the liability for advance ticket sales. Related to the year ended August 31, 2021, the beginning balance of the liability for advance ticket sales totaled \$243,164 at September 1, 2020. Due to the COVID-19 pandemic, there were no performances held during the year ended August 31, 2021.

Other income: Other income includes production participation, concessions and other income, insurance rebates, royalty income and restoration fees. Other income is recognized when the related performance obligations have been met (see Note 10).

Ford's Theatre Society

Notes to Financial Statements

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

Day visits and audio tours: Day visits and audio tours revenue includes ticket sales related to museum visits and audio tours. Revenue is recognized at the point in time when the day visit or audio tour occurs. Tickets sold in advance of a day visit or audio tour are recorded in the liability for advance ticket sales.

Support: Support includes contributions from donors, such as government grants, public support contributions, gala contributions and in-kind contributions. Unconditional contributions are recognized when received. Contributions are classified within activities without donor restrictions or within activities with donor restrictions depending upon the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when either the purpose restriction is satisfied, or the time restriction expires. Contributions with donor restrictions that is both received and released in the same period is classified as without donor restrictions in the statements of activities.

Public support contributions: Public support contributions include gifts of support from individuals, private foundations and corporations.

Government grants: Government grants include various funding agreements from the federal government and the District of Columbia (DC) government. Government grants are considered to be conditional contributions. Therefore, the recognition of government grant revenue occurs when barriers imposed under the various grant agreements have been met.

Gala contributions: Gala contributions relate to the Society's annual fundraising event and it is disclosed to donors that benefits, including annual gala tickets, are non-transferrable to future years. Therefore, the Society treats gala contributions as unconditional contributions unless special arrangements are made with donors to use contributions for future events.

In-kind contributions: The Society recognized contributed nonfinancial assets within in-kind contributions on the statements of activities (see Note 11). In-kind contributions are recorded at their estimated fair value on the date the assets were received (or promised). The contributed nonfinancial assets did not have donor-imposed restrictions.

Related-party transactions: Members of the Society's Board of Trustees provided contributions to the Society of approximately \$706,000 and \$619,000 during the years ended August 31, 2022 and 2021, respectively.

Advertising costs: Advertising costs are expensed when incurred, except the costs of advertising for future productions. Advertising costs for future productions are recorded as prepaid expenses and expensed over the period of the production to which the advertising costs relate. Advertising expense totaled \$327,672 and \$28,387 during the years ended August 31, 2022 and 2021, respectively.

Allocation of expenses: The costs of providing the various program and supporting activities of the Society have been summarized on a functional basis in the accompanying statements of functional expenses. Costs related to a specific functional activity are charged directly to that activity. However, other indirect costs are allocated among the program and supporting services benefited based on management's best estimates. In particular, salaries and benefits along with other shared costs, such as occupancy, insurance, and depreciation and amortization are allocated based on estimated employee effort.

Ford's Theatre Society

Notes to Financial Statements

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

Reclassifications: Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

Recent accounting pronouncement adopted: FASB Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Society adopted the new standard effective for the year ended August 31, 2022.

Upcoming accounting pronouncement: FASB ASU 2016-02, *Leases (Topic 842)*, supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ASU 2016-02 is effective for the Society's year ending August 31, 2023. The Society is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: The Society has evaluated subsequent events through November 21, 2022, the date by which the financial statements were available to be issued (see Note 14).

Note 2. Investments and Fair Value Measurements

The Society follows the accounting standards topic regarding fair value measurements, which establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments presented at fair value using Level 1 inputs include various types of mutual funds, which were valued based on quoted prices for identical assets in active markets. Management believes the estimated fair values of investments to be a reasonable approximation of their exit price.

The Society's investments did not include any holdings that were valued using Level 2 or Level 3 inputs.

Ford's Theatre Society

Notes to Financial Statements

Note 2. Investments and Fair Value Measurements (Continued)

Investments consisted of the following as of August 31, 2022 and 2021:

	2022	2021
Investments at fair value (Level 1):		
Mutual funds—fixed income		
Intermediate term bond	\$ 5,718,314	\$ 5,685,512
Ultra short-term bond	680,304	1,044,658
Mutual funds—equities		
U.S. large cap	5,245,349	6,347,075
U.S. small and mid cap	1,816,255	2,089,140
International large cap	2,527,563	2,966,165
Blended	85,100	59,134
Subtotal investments at fair value	16,072,885	18,191,684
Investments at cost:		
Cash and cash equivalents	13,277	10,500
	<u>\$ 16,086,162</u>	<u>\$ 18,202,184</u>

Investments held to fund the deferred compensation plan described in Note 12 are included in investments and consisted entirely of the blended mutual fund and cash. Investments held to fund deferred compensation totaled \$87,974 and \$59,134 as of August 31, 2022 and 2021, respectively.

Net investment return consisted of the following for the years ended August 31, 2022 and 2021:

	2022	2021
Net realized and unrealized (loss) gain on investments	\$ (2,478,082)	\$ 2,591,020
Interest and dividends	314,430	396,088
Investment fees	(20,000)	(20,000)
	<u>\$ (2,183,652)</u>	<u>\$ 2,967,108</u>

Note 3. Promises to Give

Unconditional: Unconditional promises to give consisted of the following at August 31, 2022 and 2021:

	2022	2021
Receivable in less than one year	\$ 3,361,701	\$ 4,455,850
Receivable in one to five years	3,031,152	9,836,163
	6,392,853	14,292,013
Less allowance for doubtful promise to give	-	(7,500,000)
Less discount to present value	(241,830)	(658,379)
	<u>\$ 6,151,023</u>	<u>\$ 6,133,634</u>

Ford's Theatre Society

Notes to Financial Statements

Note 3. Promises to Give (Continued)

Conditional: The Society also has conditional promises to give primarily from government funding sources. Future payments are contingent upon the Society carrying out certain activities, which will meet the donor-imposed barriers stipulated by the various government grant agreements. Conditional promises to give from government funding sources totaled \$14,700 and \$76,300 as of August 31, 2022 and 2021, respectively.

Note 4. Liquidity and Availability of Resources

The Society manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining a level of reserves to provide reasonable assurance that long-term obligations will be discharged. The Society's investment policy provides guidelines for management to follow in managing liquidity and reserves.

Financial assets available for general expenditure within one year consisted of the following as of August 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 9,925,793	\$ 8,834,529
Investments	16,086,162	18,202,184
Accounts receivable	32,032	36,538
Promises to give, net		
Current capital campaign	6,016,440	5,538,365
Other promises to give	134,583	595,269
Subtotal financial assets	<u>32,195,010</u>	<u>33,206,885</u>
Less amounts not available for general expenditures:		
Investments held to fund deferred compensation	(85,100)	(59,134)
Board-designated net assets	(3,252,632)	(4,502,632)
Net assets with donor restrictions	<u>(31,167,755)</u>	<u>(28,298,075)</u>
	<u>\$ (2,310,477)</u>	<u>\$ 347,044</u>

Line of credit: During October 2020, the Society obtained a line of credit from Capital Bank of Maryland which expired on October 22, 2021. The line of credit provided a maximum borrowing limit of \$1,200,000 and was not renewed. There were no drawdowns on the line of credit during the years ended August 31, 2022 and 2021. Therefore, no balance on the line of credit was due as of August 31, 2022 and 2021. A new line of credit was obtained in October 2022 (see Note 14).

Letter of credit: The Society has a standby letter of credit totaling \$218,000 with Capital Bank of Maryland in favor of the Actors Equity Association, which is the labor union representing American actors and stage managers in theatre. In the event the letter of credit is used in the future, Capital Bank of Maryland would pay the Actors Equity Association using the line of credit and the Society would record a line of credit liability of \$218,000 at that point in time. The letter of credit was originally scheduled to terminate on December 7, 2021. However, the letter of credit was automatically extended for a one-year period. The Society provided 45 days written notice of intent to terminate this letter of credit in conjunction with obtaining a new letter of credit in October 2022 (see Note 14).

Ford's Theatre Society

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment consisted of the following as of August 31, 2022 and 2021:

	2022	2021
Building and improvements (514 10th Street)	\$ 25,553,801	\$ 25,548,413
Building (512 10th Street)	8,877,087	8,877,087
Land	767,621	767,621
Capital projects in progress	3,866,855	3,638,339
Leasehold improvements	12,987,891	12,987,891
Production and audio equipment	1,944,310	1,800,475
Computer equipment and website	1,179,105	1,182,242
Furniture and office equipment	580,597	575,881
Vehicle	26,018	26,018
Art	11,000	11,000
	<u>55,794,285</u>	<u>55,414,967</u>
Less accumulated depreciation and amortization	17,697,966	16,475,816
	<u>\$ 38,096,319</u>	<u>\$ 38,939,151</u>

Note 6. Debt Obligations

Notes payable: In September 2018, the Society entered into a note payable with Bank of America for \$8,750,000 related to purchasing the property located at 512 10th Street. The loan was secured by a first deed of trust on the other property, which is located at 514 10th Street. Interest on the note was calculated using a variable rate plus 2.250% and required monthly interest only payments starting October 1, 2018, through the maturity date of August 31, 2020. However, on September 9, 2020, the note payable was amended to extend the maturity date to November 30, 2020. On October 23, 2020, the Society paid off the \$8,750,000 note payable to Bank of America with loan proceeds of \$8,750,000 from Capital Bank of Maryland.

The note payable with Capital Bank of Maryland is secured by the Society's investments, accounts receivable, promises to give, intangible assets and certain property and equipment other than real estate. The note payable is guaranteed in the Society's endowment fund. Interest on the note is calculated using a variable interest rate plus 2.250%. In accordance with the terms of the loan agreement, one principal payment plus interest is due on the maturity date which is October 22, 2023. Effective in November 2020, the Society was required to make monthly interest only payments. The note includes a pre-payment penalty but only if the Society refinances the note payable with another bank prior to the maturity date. The Society has made principal payments of \$3,250,000 and \$2,000,000 during the years ended August 31, 2022 and 2021, respectively. Therefore, the balance due on the note payable totaled \$3,500,000 and \$6,750,000 at August 31, 2022 and 2021, respectively.

The note payable with Capital Bank of Maryland includes financial and non-financial covenants. The note payable requires a debt service coverage ratio of at least 1.25 to 1.00 as of the last day of each fiscal year. The note payable also requires that the Society maintain tangible net worth of at least \$3,000,000.

Ford's Theatre Society

Notes to Financial Statements

Note 6. Debt Obligations (Continued)

Forgivable loans: In March 2021, the Society obtained a second loan totaling \$1,258,500, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act of March 27, 2020. The loan was scheduled to mature in March 2026, but the loan was forgiven in full, including interest of \$8,040 for a total of \$1,266,540, by the Small Business Administration (SBA) during November 2021. The Society elected to account for the PPP loan in accordance with ASC Topic 470, Debt. Therefore, the Society recognized a gain on loan forgiveness in the statement of activities totaling \$1,258,500 during the year ended August 31, 2022.

The Society's first PPP loan was also forgiven and the gain on loan forgiveness totaled \$1,285,500 during the year ended August 31, 2021.

Note 7. Net Assets Without Donor Restrictions

Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Undesignated net assets are used for the general operations of the Society. Designated net assets include those net assets whose use by the Society has been designated by a resolution of the Board of Trustees. The Board created a designated fund of \$1,500,000 to be used at the Board's discretion for relief in the case of an unplanned emergency such as experienced at the start of the COVID-19 pandemic, or to take advantage of emergent opportunities in furtherance of the Society's mission for which funding may not be otherwise available. During the year ended August 31, 2022, the Board of Trustees approved a motion to transfer \$1,250,000 from the Reserves fund to undesignated net assets.

Net assets without donor restrictions consisted of the following at August 31, 2022 and 2021:

	2022	2021
Undesignated	\$ 31,553,114	\$ 31,263,019
Board-designated:		
Reserves fund	1,752,632	3,002,632
Emergencies and opportunities fund	1,500,000	1,500,000
	<u>\$ 34,805,746</u>	<u>\$ 35,765,651</u>

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of August 31, 2022 and 2021:

	2022	2021
Capital campaign	\$ 18,056,856	\$ 13,583,478
Endowment available for appropriation	6,797,062	8,513,520
Endowment held in perpetuity	5,350,164	5,350,164
Productions and programming	425,000	546,000
Time restrictions	389,702	155,942
Digital projects	148,971	148,971
	<u>\$ 31,167,755</u>	<u>\$ 28,298,075</u>

Ford's Theatre Society

Notes to Financial Statements

Note 8. Net Assets With Donor Restrictions (Continued)

Net assets released from restrictions consisted of the following for the years ended August 31, 2022 and 2021:

	2022	2021
Endowment earnings appropriated for expenditures	\$ -	\$ 182,280
Productions and programming	546,000	325,000
Time restrictions	155,942	339,651
	<u>\$ 701,942</u>	<u>\$ 846,931</u>

Releases from restriction related to the capital campaign will occur when the related asset, which is under construction, has been placed in service. Capital campaign contributions received in excess of capital campaign releases from restriction are to be used at the discretion of the Society's Board of Trustees. Excess capital campaign contributions remain in net assets with donor restrictions until spending of the excess funds is approved by the Board of Trustees. In addition, the Society's capital campaign fundraising expenses are not included in the releases from restriction related to the capital campaign.

Note 9. Endowment Fund

The Mary Jane Wick Endowment Fund (the endowment fund) was established to receive restricted contributions from donors who required that amounts donated be held in perpetuity with the principal invested so that the income may be used for unrestricted operating activities. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society has interpreted the District of Columbia's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Society classifies donor-restricted net assets as:

- The original value of gifts donated to the donor-restricted endowment
- The original value of subsequent gifts to the donor-restricted endowment
- Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund

In accordance with UPMIFA, the Society 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 Society and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Society
- The investment policies of the Society

Ford's Theatre Society

Notes to Financial Statements

Note 9. Endowment Fund (Continued)

Return objectives and risk parameters: The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in funds to achieve growth in principal value and income over time that is sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation and ensuring a real return on assets over the rate of inflation.

Spending policy: Income from the endowment fund is distributed based on a spending rate up to 5% of the average balance of the endowment invested funds from the previous three years (drawn on a quarterly basis), as approved by the Board of Trustees. Amounts appropriated for expenditures totaled \$0 and \$182,280 during the years ended August 31, 2022 and 2021, respectively.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Society 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 Society's current asset allocation for Board-designated and endowment funds targets a composition of 10% non-correlative investments, 35% fixed income and 55% equity.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA required the Society to retain as a fund for perpetual duration. However, there were no such deficiencies as of August 31, 2022 or 2021.

Changes in the Endowment Fund consisted of the following as of and for the year ended August 31, 2022:

	Available for Appropriation	Held in Perpetuity	Total
Endowment Fund, September 1, 2021	\$ 8,513,520	\$ 5,350,164	\$ 13,863,684
Net investment return	(1,716,458)	-	(1,716,458)
Amounts appropriated for expenditures	-	-	-
Changes in net assets	(1,716,458)	-	(1,716,458)
Endowment Fund, August 31, 2022	<u>\$ 6,797,062</u>	<u>\$ 5,350,164</u>	<u>\$ 12,147,226</u>

Changes in the Endowment Fund consisted of the following as of and for the year ended August 31, 2021:

	Available for Appropriation	Held in Perpetuity	Total
Endowment Fund, September 1, 2020	\$ 6,017,344	\$ 5,350,164	\$ 11,367,508
Net investment return	2,678,456	-	2,678,456
Amounts appropriated for expenditures	(182,280)	-	(182,280)
Changes in net assets	2,496,176	-	2,496,176
Endowment Fund, August 31, 2021	<u>\$ 8,513,520</u>	<u>\$ 5,350,164</u>	<u>\$ 13,863,684</u>

Ford's Theatre Society

Notes to Financial Statements

Note 10. Other Income

Other income included various types of contracts with customers, all of which are recognized at a point in time except for production participation, which is recognized over the time in which the productions occurred.

Other income consisted of the following for the years ended August 31, 2022 and 2021:

	2022	2021
Production participation	\$ 818,028	\$ -
Concessions and other income	275,890	44,215
Royalty income	106,461	12,525
Restoration fees	84,552	1,744
	<u>\$ 1,284,931</u>	<u>\$ 58,484</u>

Note 11. In-Kind Contributions

Recorded amounts: Contributed nonfinancial assets are recorded at estimated fair value as in-kind contributions in the statements of activities. Contributed nonfinancial assets did not have donor-imposed restrictions. Donated services were used in the program and supporting services listed below. No donated goods were monetized through sales to third parties. A summary of the fair value estimates related to contributed nonfinancial assets follows.

Airline tickets: Donated airline tickets are valued using monthly statements provided by United Airlines which include the specific flights that were provided free of charge. The airline tickets for individual flights are recorded in the program and supporting services that benefited.

Services: Donated services primarily consisted of pro bono legal fees which are recognized in the statements of activities as contributions and expenses in equal amounts in accordance with U.S. GAAP when the services: (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Society. Donated services are recorded in the gala production supporting service.

Audio / visual: Donated audio / visual was valued by Ovation, the service provider, using an estimated value of the videos produced for the Lincoln Medal Recipients at the annual gala. The donated audio / visual services are recorded in the gala production supporting service.

Food: Donated food consisted of meals at restaurants which were provided to the Society free of charge. Donated food was valued at amounts equal to the listed prices on the restaurants' menus.

Shipping: Donated shipping was valued using regular statements provided by FedEx which include the specific shipments that were provided free of charge. The shipping services are recorded in the program and supporting services that benefited.

Ford's Theatre Society

Notes to Financial Statements

Note 11. In-kind Contributions (Continued)

In-kind contributions recorded on the statements of activities in support and expense and consisted of the following for the years ended August 31, 2022 and 2021:

	2022	2021
Airline tickets	\$ 75,069	\$ -
Services	39,873	155,652
Audio / visual	30,000	-
Food	28,077	-
Shipping	13,628	2,292
	<u>\$ 186,647</u>	<u>\$ 157,944</u>

Unrecorded amount: The Society has permission from the NPS to use the historic theatre. In exchange for use of the facilities, NPS expects the Society will operate according to its mission to provide visitors with the highest quality of artistic product and its broadest dissemination under public sponsorship. However, the Society has not recorded an in-kind contribution for use of facilities due to the nature of the services it provides on behalf of NPS in exchange for the rent-free use of the facilities.

Note 12. Retirement Plans

Defined contribution plan: The Society sponsors a defined contribution 401(k) retirement plan available to all employees meeting certain eligibility requirements as defined by the plan document. The current version of the plan provides that the Society will make safe harbor matching contributions equal to 100% of participant salary deferrals that do not exceed 3% plus 50% of participant salary deferrals between 3% and 5%. The Society may also make additional discretionary contributions. The Society's contributions to the plan totaled \$223,249 and \$161,454 during the years ended August 31, 2022 and 2021, respectively.

Union retirement plans: The Society contributed to other retirement plans on behalf of union members during the years ended August 31, 2022 and 2021. The Society's contributions related to these other retirement plans totaled \$313,998 and \$57,241 for the years ended August 31, 2022 and 2021, respectively.

Deferred compensation plan: The Society has a deferred compensation plan for a key employee. The plan was established in accordance with Section 457(f) of the IRC. The plan is funded by investments held to fund deferred compensation, which are described in Note 2. The liability related to the deferred compensation plan is measured at fair value using Level 2 inputs and is included in accounts payable in the accompanying statements of financial position. The deferred compensation asset and liability totaled \$87,974 and \$59,134 as of August 31, 2022 and 2021, respectively.

Note 13. Commitments and Contingencies

Operating lease: The Society has a long-term partnership agreement with the U.S. Department of the Interior, NPS allowing the Society use of the historic building for theatrical productions and educational programs. The Society has an operating lease for lobby space that expires December 31, 2026 (during the year ending August 31, 2027). The lease includes a 2.00% escalation per year.

Rent expense, which includes the rental payments plus pass-through property taxes and other incidental expenses, totaled \$461,607 and \$463,217 for the years ended August 31, 2022 and 2021, respectively.

Ford's Theatre Society

Notes to Financial Statements

Note 13. Commitments and Contingencies (Continued)

Future minimum cash basis lease payments are as follows:

Years ending August 31:	
2023	\$ 369,809
2024	377,205
2025	384,749
2026	392,444
2027	131,674
	<u>\$ 1,655,881</u>

Employment agreement: The Society has an employment agreement with its Director. Under the terms of the agreement, should the Society terminate his employment without cause, the Society would be obligated to pay severance in accordance with the terms of the agreement.

Government grants: The Society receives funding in accordance with several federal and D.C. government grants, which are subject to financial and compliance examinations by federal or state agencies or their representatives. Therefore, a contingent liability may exist for potential questioned costs that would result from such examinations. However, management does not anticipate significant adjustments as a result of such examinations.

PPP loans: The SBA has the right to audit recipients of PPP loans for up to six years from the date of forgiveness. The Society's PPP loans were forgiven in November 2021 and February 2021. However, management does not believe a material risk exists related to the SBA's right to audit.

COVID-19: Management is continually monitoring the potential impact of the coronavirus (COVID-19) pandemic on the Society. Management will review and adjust planned operations in the event that the outbreak is expected to significantly impact the financial position and activities of the Society.

Note 14. Subsequent Events

Payment on note payable: During September 2022, the Society made another principal payment of \$3,500,000 on the note payable. Therefore, the balance due on the note payable totaled \$0 at September 30, 2022.

Line of credit: In October 2022, the Society obtained a new line of credit with First-Citizens Bank & Trust Company. The line of credit provided a maximum borrowing limit of \$1,200,000 and certain assets held by the Society are considered to be collateral for any borrowings on the line of credit. Interest on drawdowns is calculated in accordance with the line of credit agreement. There were no drawdowns on either the old or the new line of credit during the years ended August 31, 2022 and 2021. Therefore, no balance on the line of credit was due as of August 31, 2022 and 2021.

Letter of credit: In October 2022, the Society obtained a standby letter of credit totaling \$218,000 with First-Citizens Bank & Trust Company in favor of the Actors Equity Association.

Ford's Theatre Society

Notes to Financial Statements

Note 14. Subsequent Events (Continued)

Note payable: In October 2022, the Society entered into a note payable with First-Citizens Bank & Trust Company for \$15,000,000 related to construction on the property located at 512 10th Street, which is secured by the Society's investments, accounts receivable, promises to give, intangible assets, certain property and equipment other than real estate and other goods. The note payable is guaranteed by assets held in the Society's endowment fund. Interest on the note is calculated using an interest rate of 3.890%. In accordance with the terms of the loan agreement, one principal payment plus interest is due on the maturity date which is October 18, 2029. Effective in November 2022, the Society is required to make monthly interest only payments. The note includes a pre-payment penalty but only if the Society refinances the note payable with another bank prior to the maturity date.

The note payable with First-Citizens Bank & Trust includes financial and non-financial covenants. The note payable requires a minimum liquidity of \$10,000,000.