

Ford's Theatre Society

Financial Report
August 31, 2024

Contents

Independent auditor's report	1-2
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Financial statements	
Statements of financial position	3
Statements of activities	4-5
Statements of functional expenses	6-7
Statements of cash flows	8
Notes to financial statements	9-25

Independent Auditor's Report

Board of Trustees
Ford's Theatre Society

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, 2024 and 2023, 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, 2024 and 2023, 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 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 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 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.

RSM US LLP

Washington, D.C.
November 21, 2024

Ford's Theatre Society

**Statements of Financial Position
August 31, 2024 and 2023**

	2024	2023
Assets		
Cash and cash equivalents	\$ 3,709,194	\$ 2,499,601
Investments	6,235,192	6,569,098
Accounts receivable	24,717	70,508
Promises to give, net:		
Capital campaign	9,641,890	4,869,875
Other promises to give	208,863	718,157
Direct pre-production expenses	192,888	409,597
Prepaid expenses and other assets	321,441	343,808
Operating right-of-use asset	855,178	1,201,402
Property and equipment, net	57,014,480	43,654,007
Investments held for endowment	13,271,134	11,937,784
	\$ 91,474,977	\$ 72,273,837
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 5,048,254	\$ 3,221,153
Advance ticket sales	428,148	535,937
Operating lease liability	872,417	1,213,720
Notes payable	7,739,441	2,418,427
Total liabilities	14,088,260	7,389,237
Commitments and contingencies (Note 14)		
Net assets:		
Without donor restrictions:		
Operational use	28,227,502	29,385,078
Board-designated	1,750,000	2,285,000
Total net assets without donor restrictions	29,977,502	31,670,078
With donor restrictions	47,409,215	33,214,522
Total net assets	77,386,717	64,884,600
	\$ 91,474,977	\$ 72,273,837

See notes to financial statements.

Ford's Theatre Society

**Statement of Activities
Year Ended August 31, 2024**

	Without Donor Restrictions			With Donor	
	Undesignated	Board-Designated	Total	Restrictions	Total
Revenue:					
Production	\$ 4,714,432	\$ -	\$ 4,714,432	\$ -	\$ 4,714,432
Other income	484,370	-	484,370	-	484,370
Day visits and audio tours	1,105,460	-	1,105,460	-	1,105,460
Total revenue	6,304,262	-	6,304,262	-	6,304,262
Support:					
Public support contributions	4,246,979	-	4,246,979	13,310,951	17,557,930
Government grants	1,007,887	-	1,007,887	-	1,007,887
Gala contributions	1,703,750	-	1,703,750	-	1,703,750
Contributed non-financial assets and services	472,545	-	472,545	-	472,545
Board designated transfer for operations	535,000	(535,000)	-	-	-
Endowment return appropriated for expenditures	854,570	-	854,570	(854,570)	-
Net assets released from restrictions	449,608	-	449,608	(449,608)	-
Total support	9,270,339	(535,000)	8,735,339	12,006,773	20,742,112
Total revenue and support	15,574,601	(535,000)	15,039,601	12,006,773	27,046,374
Expenses:					
Program services:					
Artistic, production and technical	7,801,575	-	7,801,575	-	7,801,575
Outreach and education	1,055,940	-	1,055,940	-	1,055,940
Total program services	8,857,515	-	8,857,515	-	8,857,515
Supporting services:					
General and administrative	3,535,079	-	3,535,079	-	3,535,079
Fundraising	1,512,049	-	1,512,049	-	1,512,049
Marketing and public relations	1,208,230	-	1,208,230	-	1,208,230
Gala production	457,827	-	457,827	-	457,827
Total supporting services	6,713,185	-	6,713,185	-	6,713,185
Total expenses before other activities	15,570,700	-	15,570,700	-	15,570,700
Changes in net assets before other activities	3,901	(535,000)	(531,099)	12,006,773	11,475,674
Other activities:					
Net investment return	650,853	-	650,853	2,187,920	2,838,773
Depreciation and amortization	(1,440,589)	-	(1,440,589)	-	(1,440,589)
Capital campaign expense	(371,741)	-	(371,741)	-	(371,741)
Changes in net assets	(1,157,576)	(535,000)	(1,692,576)	14,194,693	12,502,117
Net assets:					
Beginning	29,385,078	2,285,000	31,670,078	33,214,522	64,884,600
Ending	\$ 28,227,502	\$ 1,750,000	\$ 29,977,502	\$ 47,409,215	\$ 77,386,717

See notes to financial statements.

Ford's Theatre Society

Statement of Activities Year Ended August 31, 2023

	Without Donor Restrictions			With Donor	
	Undesignated	Board-Designated	Total	Restrictions	Total
Revenue:					
Production	\$ 3,464,068	\$ -	\$ 3,464,068	\$ -	\$ 3,464,068
Other income	993,093	-	993,093	-	993,093
Day visits and audio tours	1,166,284	-	1,166,284	-	1,166,284
Total revenue	5,623,445	-	5,623,445	-	5,623,445
Support:					
Public support contributions	3,809,059	-	3,809,059	3,070,911	6,879,970
Government grants	812,295	-	812,295	-	812,295
Gala contributions	1,551,000	-	1,551,000	-	1,551,000
Contributed non-financial assets and services	225,473	-	225,473	-	225,473
Board designated transfer for operations	967,632	(967,632)	-	-	-
Endowment return appropriated for expenditures	834,257	-	834,257	(834,257)	-
Net assets released from restrictions	814,702	-	814,702	(814,702)	-
Total support	9,014,418	(967,632)	8,046,786	1,421,952	9,468,738
Total revenue and support	14,637,863	(967,632)	13,670,231	1,421,952	15,092,183
Expenses:					
Program services:					
Artistic, production and technical	8,797,359	-	8,797,359	-	8,797,359
Outreach and education	885,657	-	885,657	-	885,657
Total program services	9,683,016	-	9,683,016	-	9,683,016
Supporting services:					
General and administrative	2,931,048	-	2,931,048	-	2,931,048
Fundraising	1,535,212	-	1,535,212	-	1,535,212
Marketing and public relations	1,154,614	-	1,154,614	-	1,154,614
Gala production	478,659	-	478,659	-	478,659
Total supporting services	6,099,533	-	6,099,533	-	6,099,533
Total expenses before other activities	15,782,549	-	15,782,549	-	15,782,549
Changes in net assets before other activities	(1,144,686)	(967,632)	(2,112,318)	1,421,952	(690,366)
Other activities:					
Loss on disposal of asset	(293,688)	-	(293,688)	-	(293,688)
Net investment return	777,772	-	777,772	624,815	1,402,587
Depreciation and amortization	(1,396,442)	-	(1,396,442)	-	(1,396,442)
Capital campaign expense	(110,992)	-	(110,992)	-	(110,992)
Changes in net assets	(2,168,036)	(967,632)	(3,135,668)	2,046,767	(1,088,901)
Net assets:					
Beginning	31,553,114	3,252,632	34,805,746	31,167,755	65,973,501
Ending	\$ 29,385,078	\$ 2,285,000	\$ 31,670,078	\$ 33,214,522	\$ 64,884,600

See notes to financial statements.

Ford's Theatre Society

**Statement of Functional Expenses
Year Ended August 31, 2024**

	Program Services			Supporting Services					Total Expenses
	Artistic, Production and Technical	Outreach and Education	Total Program Services	General and Administrative	Fundraising	Marketing and Public Relations	Gala Production	Total Supporting Services	
Salaries and benefits	\$ 4,956,488	\$ 569,111	\$ 5,525,599	\$ 1,870,043	\$ 675,057	\$ 586,651	\$ 165,599	\$ 3,297,350	\$ 8,822,949
Production	1,148,323	100,435	1,248,758	-	63,700	-	84,997	148,697	1,397,455
Occupancy	616,483	70,785	687,268	232,594	83,963	72,967	20,597	410,121	1,097,389
Professional fees	82,305	-	82,305	546,906	29,607	75,007	-	651,520	733,825
Payroll taxes	320,218	31,084	351,302	118,808	56,417	41,963	2,913	220,101	571,403
Catering	-	14,468	14,468	-	443,021	1,196	-	444,217	458,685
Travel and housing	99,224	213,532	312,756	2,088	3,951	768	106,917	113,724	426,480
Advertising and promotion	-	12,251	12,251	-	-	348,751	-	348,751	361,002
Office expenses	153,660	9,774	163,434	161,762	7,206	3,310	3,851	176,129	339,563
Bank and credit card fees	-	-	-	337,444	-	-	-	337,444	337,444
Royalties	309,118	-	309,118	-	-	-	-	-	309,118
Miscellaneous	25,965	5,418	31,383	37,278	67,399	11,471	66,482	182,630	214,013
Information technology	-	3,481	3,481	153,982	-	-	-	153,982	157,463
Insurance	72,790	8,358	81,148	27,463	9,914	8,615	2,432	48,424	129,572
Printing and reproduction	327	5,568	5,895	-	35,718	29,127	4,039	68,884	74,779
Subscriptions and dues	450	5,243	5,693	18,910	20,769	13,160	-	52,839	58,532
Staff training	1,558	6,123	7,681	17,036	5,156	7,902	-	30,094	37,775
Postage	366	309	675	10,765	10,171	7,342	-	28,278	28,953
Safety	14,300	-	14,300	-	-	-	-	-	14,300
Total expenses before other activities	7,801,575	1,055,940	8,857,515	3,535,079	1,512,049	1,208,230	457,827	6,713,185	15,570,700
Depreciation and amortization	809,282	92,923	902,205	305,336	110,222	95,787	27,039	538,384	1,440,589
Capital campaign	-	-	-	-	371,741	-	-	371,741	371,741
Total expenses	\$ 8,610,857	\$ 1,148,863	\$ 9,759,720	\$ 3,840,415	\$ 1,994,012	\$ 1,304,017	\$ 484,866	\$ 7,623,310	\$ 17,383,030

See notes to financial statements.

Ford's Theatre Society

Statement of Functional Expenses Year Ended August 31, 2023

	Program Services			Supporting Services					Total Expenses
	Artistic, Production and Technical	Outreach and Education	Total Program Services	General and Administrative	Fundraising	Marketing and Public Relations	Gala Production	Total Supporting Services	
Salaries and benefits	\$ 5,312,060	\$ 511,506	\$ 5,823,566	\$ 1,686,989	\$ 641,133	\$ 641,176	\$ 178,814	\$ 3,148,112	\$ 8,971,678
Production	1,595,557	65,848	1,661,405	-	69,267	-	110,140	179,407	1,840,812
Occupancy	597,295	57,514	654,809	202,005	72,090	72,095	20,106	366,296	1,021,105
Professional fees	28,825	1,923	30,748	339,832	84,093	39,336	-	463,261	494,009
Payroll taxes	334,785	28,324	363,109	107,005	51,690	45,992	9,012	213,699	576,808
Catering	-	10,549	10,549	-	430,921	103	-	431,024	441,573
Travel and housing	409,037	175,898	584,935	822	5,276	1,980	103,856	111,934	696,869
Advertising and promotion	-	4,386	4,386	-	-	280,492	-	280,492	284,878
Office expenses	159,415	5,917	165,332	129,660	10,541	1,894	4,194	146,289	311,621
Bank and credit card fees	-	-	-	218,966	-	-	-	218,966	218,966
Royalties	172,309	-	172,309	-	-	-	-	-	172,309
Miscellaneous	53,530	2,907	56,437	15,327	89,285	1,520	38,539	144,671	201,108
Information technology	-	3,051	3,051	150,321	-	-	-	150,321	153,372
Insurance	77,659	7,478	85,137	24,663	9,373	9,374	2,614	46,024	131,161
Printing and reproduction	627	2,490	3,117	-	41,160	40,662	11,384	93,206	96,323
Subscriptions and dues	771	4,047	4,818	37,172	18,566	12,425	-	68,163	72,981
Staff training	3,058	3,674	6,732	14,789	1,998	519	-	17,306	24,038
Postage	1,138	145	1,283	3,497	9,819	7,046	-	20,362	21,645
Safety	51,293	-	51,293	-	-	-	-	-	51,293
Total expenses before other activities	8,797,359	885,657	9,683,016	2,931,048	1,535,212	1,154,614	478,659	6,099,533	15,782,549
Depreciation and amortization	826,823	79,616	906,439	262,580	99,792	99,799	27,832	490,003	1,396,442
Capital campaign	-	-	-	-	110,992	-	-	110,992	110,992
Total expenses	\$ 9,624,182	\$ 965,273	\$ 10,589,455	\$ 3,193,628	\$ 1,745,996	\$ 1,254,413	\$ 506,491	\$ 6,700,528	\$ 17,289,983

See notes to financial statements.

Ford's Theatre Society

Statements of Cash Flows Years Ended August 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 12,502,117	\$ (1,088,901)
Adjustments to reconcile change in net assets to net assets to net cash used in operating activities:		
Net realized and unrealized gain on investments	(2,306,260)	(931,891)
Change in discount on promises to give	1,271,555	65,238
Amortization of right-of-use asset	346,224	334,998
Depreciation and amortization	1,440,589	1,396,442
Loss on disposal of asset	-	293,688
Contributions restricted for endowment and capital projects	(13,310,951)	(3,070,911)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	45,791	(38,476)
Other promises to give	509,294	(583,574)
Direct pre-production expenses	216,709	(89,155)
Prepaid expenses and other assets	22,367	(39,362)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,127,523)	(429,628)
Advance ticket sales	(107,789)	196,206
Lease liability	(341,303)	(322,680)
Net cash used in operating activities	(1,839,180)	(4,308,006)
Cash flows from investing activities:		
Proceeds from sales of investments	1,596,632	1,314,548
Purchases of investments	(289,816)	(2,803,377)
Purchases of property and equipment	(10,846,438)	(4,700,022)
Net cash used in investing activities	(9,539,622)	(6,188,851)
Cash flows from financing activities:		
Proceeds from note payable	5,321,014	2,418,427
Principal payment on note payable	-	(3,500,000)
Proceeds from contributions restricted for endowment and capital projects	7,267,381	4,152,238
Net cash provided by financing activities	12,588,395	3,070,665
Net increase (decrease) in cash and cash equivalents	1,209,593	(7,426,192)
Cash and cash equivalents:		
Beginning	2,499,601	9,925,793
Ending	\$ 3,709,194	\$ 2,499,601
Supplemental disclosures of cash flow information:		
Cash paid for interest, including capitalized interest	\$ 242,492	\$ 72,319
Addition to right-of-use asset for operating lease	\$ -	\$ 1,536,400
Addition to operating lease liability	\$ -	\$ 1,536,400
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases, net	\$ 377,205	\$ 369,809
Purchase of property and equipment in accrued expenses	\$ 3,954,624	\$ 2,547,796

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, 2024 and 2023. 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. The Board of the Directors of the Society voted for the dissolution of the MJW Endowment Fund as a separate entity during the year ended 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.

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. Management has concluded that the Society has no uncertain tax positions.

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, as a separate entity, has been financially dormant, it does not owe any federal or state income taxes. Additionally, during the year ended 2023, the Board of Directors voted for the dissolution of the MJW Endowment Fund as a separate entity.

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 has not experienced any losses on cash accounts, and management believes it is not exposed to significant credit risk on cash.

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 \$32,032 at September 1, 2022. 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 \$0 for the years ended August 31, 2024 and 2023, 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.

The Society adopted ASC 326, Financial Instruments—Credit Losses, as of September 1, 2023, with the cumulative-effect transition method with the required prospective approach. There was no significant impact of this adoption as of September 1, 2023. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include billed and unbilled receivables, as well as contract assets. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Management has not recorded an allowance at August 31, 2024.

Prior to adoption of ASC 326, the collectability of each receivable balance was assessed based on management's knowledge of the customer and the age of the receivable balance. Customer balances deemed to be uncollectible were charged directly to bad debt expense to the extent not covered by the allowance. Management has not recorded an allowance at August 31, 2023.

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 8.00% and 8.50% at August 31, 2024 and 2023, 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.

Ford's Theatre Society

Notes to Financial Statements

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

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. Management believes that an allowance for promises to give was not necessary as of August 31, 2024 and 2023.

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. Computer equipment and website and furniture and office equipment 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.

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.

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. There were no assets that have suffered permanent impairment for the years ended August 31, 2024 and 2023.

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.

Ford's Theatre Society

Notes to Financial Statements

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

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, 2023, the beginning balance of the liability for advance ticket sales totaled \$339,731 at September 1, 2022.

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).

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. Conditional contributions are those contributions that contain donor-imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are substantially met and then follow the above policies for unconditional contributions. 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. Unconditional contributions with donor restrictions that are both received and released in the same period are 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 (D.C.) 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.

Contributed non-financial assets and services: The Society recognized contributed nonfinancial assets and services within contributed non-financial assets and services 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 and services did not have donor-imposed restrictions.

Ford's Theatre Society

Notes to Financial Statements

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

Related-party transactions: Members of the Society's Board of Trustees provided contributions to the Society of approximately \$620,000 and \$685,000 during the years ended August 31, 2024 and 2023, 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 \$361,001 and \$284,879 during the years ended August 31, 2024 and 2023, 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.

Leases: The Society determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset, and directs how and for what purpose the asset is used during the term of the contract. The Society also considers whether its service arrangements include the right to control the use of an asset.

The Society recognizes most leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of activities.

The Society made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date, and are reduced by any lease incentives received. To determine the present value of lease payments, the Society made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Ford's Theatre Society

Notes to Financial Statements

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

The Society has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The nonlease components typically represent additional services transferred to the Society, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Reclassification: Certain 2023 amounts have been reclassified to confirm with 2024 presentation with no effect on the previously reported total change in net assets.

Subsequent events: The Society has evaluated subsequent events through November 21, 2024, the date by which the financial statements were available to be issued.

Note 2. Investments and Fair Value Measurements

Investments at August 31, 2024 and 2023, are classified on the statements of financial position as follows:

	2024	2023
Investments	\$ 6,235,192	\$ 6,569,098
Investments held for endowment	13,271,134	11,937,784
Total investments	<u>\$ 19,506,326</u>	<u>\$ 18,506,882</u>

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, 2024 and 2023:

	2024	2023
Investments	\$ 6,235,192	\$ 6,569,098
Investments held for endowment	13,271,134	11,937,784
Total investments	<u>\$ 19,506,326</u>	<u>\$ 18,506,882</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 \$247,998 and \$163,706 as of August 31, 2024 and 2023, respectively.

Net investment return consisted of the following for the years ended August 31, 2024 and 2023:

	2024	2023
Net realized and unrealized gain on investments	\$ 2,306,260	\$ 931,891
Interest and dividends	554,611	490,986
Investment fees	(22,098)	(20,290)
	<u>\$ 2,838,773</u>	<u>\$ 1,402,587</u>

Note 3. Promises to Give

Unconditional: Unconditional promises to give consisted of the following at August 31, 2024 and 2023:

	2024	2023
Receivable in less than one year	\$ 3,806,531	\$ 3,591,481
Receivable in one to five years	7,622,845	2,303,619
	11,429,376	5,895,100
Less discount to present value	(1,578,623)	(307,068)
	<u>\$ 9,850,753</u>	<u>\$ 5,588,032</u>

The Society obtained an unconditional promise to give of \$9,000,000 during March 2024. The contribution represented 33% of all revenue for the year ended August 31, 2024. As of August 31, 2024, the remaining receivable balance is \$7,000,000, which represents 71% of all receivables.

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 \$106,775 and \$205,157 as of August 31, 2024 and 2023, 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, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 3,709,194	\$ 2,499,601
Investments	6,235,192	6,569,098
Investments held for endowment	13,271,134	11,937,784
Accounts receivable	24,717	70,508
Promises to give, net:		
Current capital campaign	9,641,890	4,869,875
Other promises to give	208,863	718,157
Subtotal financial assets	<u>33,090,990</u>	<u>26,665,023</u>
Less amounts not available for general expenditures:		
Investments held to fund deferred compensation	(247,998)	(163,706)
Board-designated net assets	(1,750,000)	(2,285,000)
Net assets with donor restrictions related to financial assets above	<u>(22,913,024)</u>	<u>(16,807,659)</u>
	<u>\$ 8,179,968</u>	<u>\$ 7,408,658</u>

Line of credit: In October 2022, the Society obtained an operating line of credit with First-Citizens Bank & Trust Company. The operating line of credit provides 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 operating line of credit. Interest on drawdowns is calculated in accordance with the operating line of credit agreement. Interest is calculated on the operating line of credit using a variable secured overnight financing rate plus 1.850%. The line of credit has a maturity date of January 20, 2025. There were no drawdowns on the operating line of credit during the years ended August 31, 2024 and 2023. Therefore, no balance on the operating line of credit was due as of August 31, 2024 and 2023.

Ford's Theatre Society

Notes to Financial Statements

Note 4. Liquidity and Availability of Resources (Continued)

Letter of credit: The Society had 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. 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.

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. In the event the letter of credit is used in the future, First Citizens Bank & Trust Company 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. This was extended through November 20, 2025.

Note 5. Property and Equipment

Property and equipment consisted of the following as of August 31, 2024 and 2023:

	2024	2023
Building and improvements (514 10th Street)	\$ 25,570,444	\$ 25,570,444
Building (512 10th Street)	8,877,087	8,877,087
Land	767,621	767,621
Capital projects in progress (see Note 14)	25,071,952	10,688,534
Leasehold improvements	13,028,975	13,028,975
Production and audio equipment	2,539,522	2,188,185
Computer equipment and website	454,621	398,580
Furniture and office equipment	590,863	580,597
Vehicle	26,018	26,018
Art	11,000	11,000
	<u>76,938,103</u>	<u>62,137,041</u>
Less accumulated depreciation and amortization	<u>(19,923,623)</u>	<u>(18,483,034)</u>
	<u>\$ 57,014,480</u>	<u>\$ 43,654,007</u>

Note 6. Debt Obligations

Notes payable: On October 23, 2020, the Society borrowed \$8,750,000 from Capital Bank of Maryland. The note payable was secured by the Society's investments, accounts receivable, promises to give, intangible assets and certain property and equipment other than real estate. Interest on the note was calculated using a variable London Interbank Offered Rate (LIBOR) interest rate plus 2.250%. In accordance with the terms of the loan agreement, one principal payment, plus interest, was due on the maturity date, which was October 22, 2023. Effective in November 2020, the Society was required to make monthly interest only payments. The Society made a payment of \$3,500,000 to pay the loan in full during the year ended August 31, 2023. Therefore, the balance due on the note payable totaled \$0 at August 31, 2024 and 2023.

Ford's Theatre Society

Notes to Financial Statements

Note 6. Debt Obligations (Continued)

In October 2022, the Society entered into a construction line of credit 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 construction line of credit is guaranteed by assets held in the Society's endowment fund. Interest on the construction line of credit is calculated using a fixed 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 construction line of credit includes a pre-payment penalty, but only if the Society refinances the note payable with another bank prior to the maturity date. There is a provision that the outstanding balance cannot exceed \$13,000,000 at December 31, 2025, \$10,000,000 at December 31, 2026, and \$8,000,000 at December 31, 2027. The balance due on the construction line of credit totaled \$7,739,441 and \$2,418,427 at August 31, 2024 and 2023, respectively.

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

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 Coronavirus Aid, Relief and Economic Security 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 \$1,285,500 during the year ended August 31, 2022.

The Society's first PPP loan was also forgiven in February 2021, 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 years ended August 31, 2024 and 2023, the Board of Trustees approved a motion to transfer \$535,000 and \$967,632 from the Reserves fund to undesignated net assets.

Net assets without donor restrictions consisted of the following at August 31, 2024 and 2023:

	2024	2023
Undesignated	\$ 28,227,502	\$ 29,385,078
Board-designated:		
Reserves fund	250,000	785,000
Emergencies and opportunities fund	1,500,000	1,500,000
	<u>\$ 29,977,502</u>	<u>\$ 31,670,078</u>

Ford's Theatre Society

Notes to Financial Statements

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of August 31, 2024 and 2023:

	2024	2023
Capital campaign	\$ 33,290,464	\$ 20,678,159
Endowment available for appropriation	7,920,970	6,587,620
Endowment held in perpetuity	5,350,164	5,350,164
Productions and programming	616,667	355,000
Digital projects	148,971	148,971
Time restrictions	81,979	94,608
	<u>\$ 47,409,215</u>	<u>\$ 33,214,522</u>

Net assets released from restrictions consisted of the following for the years ended August 31, 2024 and 2023:

	2024	2023
Endowment earnings appropriated for expenditures	\$ 854,570	\$ 834,257
Productions and programming	355,000	425,000
Time restrictions	94,608	389,702
	<u>\$ 1,304,178</u>	<u>\$ 1,648,959</u>

Releases from restrictions 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 restrictions 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 restrictions related to the capital campaign.

Note 9. 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

Ford's Theatre Society

Notes to Financial Statements

Note 9. Endowment Fund (Continued)

- 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

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, as approved by the Board of Trustees. Amounts appropriated for expenditures totaled \$854,570 and \$834,257 during the years ended August 31, 2024 and 2023, 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, 2024 or 2023.

Ford's Theatre Society

Notes to Financial Statements

Note 9. Endowment Fund (Continued)

Changes in the Endowment Fund consisted of the following as of and for the year ended August 31, 2024:

	Available for Appropriation	Held in Perpetuity	Total
Endowment Fund, September 1, 2023	\$ 6,587,620	\$ 5,350,164	\$ 11,937,784
Net investment return	2,187,920	-	2,187,920
Amounts appropriated for expenditures	(854,570)	-	(854,570)
Change in net assets	1,333,350	-	1,333,350
Endowment Fund, August 31, 2024	<u>\$ 7,920,970</u>	<u>\$ 5,350,164</u>	<u>\$ 13,271,134</u>

Changes in the Endowment Fund consisted of the following as of and for the year ended August 31, 2023:

	Available for Appropriation	Held in Perpetuity	Total
Endowment Fund, September 1, 2022	\$ 6,797,062	\$ 5,350,164	\$ 12,147,226
Net investment return	624,815	-	624,815
Amounts appropriated for expenditures	(834,257)	-	(834,257)
Change in net assets	(209,442)	-	(209,442)
Endowment Fund, August 31, 2023	<u>\$ 6,587,620</u>	<u>\$ 5,350,164</u>	<u>\$ 11,937,784</u>

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, 2024 and 2023:

	2024	2023
Restoration fees	\$ 281,990	\$ 104,617
Concessions and other income	195,722	234,353
Royalty income	6,658	69,123
Production participation	-	585,000
	<u>\$ 484,370</u>	<u>\$ 993,093</u>

Ford's Theatre Society

Notes to Financial Statements

Note 11. Contributed Non-Financial Assets and Services

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 and services follows:

Airline tickets: Donated airline tickets are valued using monthly statements, 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 general and administrative supporting service.

Audio/visual: Donated audio/visual was valued 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.

Reception catering: Donated food consisted of reception catering for the benefit of patrons 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, which include the specific shipments that were provided free of charge. The shipping services are recorded in the program and supporting services that benefited.

Contributed nonfinancial assets and services recorded on the statements of activities in support and expense and consisted of the following for the years ended August 31, 2024 and 2023:

	2024	2023
Services	\$ 305,872	\$ 96,688
Reception catering	84,745	34,316
Airline tickets	46,928	75,752
Audio/visual	35,000	15,000
Shipping	-	3,717
	<u>\$ 472,545</u>	<u>\$ 225,473</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 a 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.

Ford's Theatre Society

Notes to Financial Statements

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 \$134,801 and \$131,214 during the years ended August 31, 2024 and 2023, respectively.

Union retirement plans: The Society contributed to other retirement plans on behalf of union members during the years ended August 31, 2024 and 2023. The Society's contributions related to these other retirement plans totaled \$391,116 and \$438,233 for the years ended August 31, 2024 and 2023, 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 \$247,998 and \$163,706 as of August 31, 2024 and 2023, respectively.

Note 13. Leases

Operating lease: The Society has a long-term partnership agreement with the 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 \$477,666 and \$468,612 for the years ended August 31, 2024 and 2023, respectively.

Effective September 1, 2022, the Society adopted Accounting Standards Update 2016-02, *Leases (Topic 842)*, resulting in a ROU asset and liability recorded in the statements of financial position as of August 31, 2023, for its space. The lease was determined to be an operating lease.

The Society calculated the present value of the lease over the term of the respective agreement using the risk-free rate on the adoption date of Topic 842, based on the remaining lease term. The interest rate utilized for each of the years ended August 31, 2024 and 2023, was 3.39%. The weighted-average remaining lease term is 2.33 years and 3.33 years at August 31, 2024 and 2023, respectively.

Future minimum payments under the Society's lease agreements are as follows:

Years ending August 31:	
2025	\$ 384,749
2026	392,444
2027	131,674
	<hr/>
	908,867
Less imputed interest*	(36,450)
Discounted lease liability	<hr/>
	\$ 872,417

* Imputed interest represents the difference between undiscounted cash flows and discounted cash flows.

Ford's Theatre Society

Notes to Financial Statements

Note 14. Commitments and Contingencies

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.

Capital projects in process: Capital projects in process represent the expansion of the Society's 514 10th Street NW property to include space that was formerly 512 10th Street NW. This expansion will provide expanded amenities for visitors, as well as expanded theatrical production spaces, and will allow for growth of the Society's education and community initiatives. In connection with this project, the Society entered into a contract with a general contractor for a total of approximately \$22,983,000, with a remaining obligation as of August 31, 2024, of approximately \$6,372,000.

Union: Certain employees organized and voted to be represented by a worker's union. The collective bargaining unit made up 20% of the workforce at the Society as of August 31, 2024.