GOODSPEED OPERA HOUSE FOUNDATION, INC. AND SUBSIDIARY
Consolidated Financial Statements
December 31, 2020 and 2019
With Independent Auditor's Report

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ADVISORY TAX AUDIT

Goodspeed Opera House Foundation, Inc. and Subsidiary
Table of Contents
December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Goodspeed Opera House Foundation, Inc. and Subsidiary:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Goodspeed Opera House Foundation, Inc. (a not-for-profit corporation) (the "Organization") and Goodspeed Restaurant, Inc. (a corporation) (the "Subsidiary"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization and Subsidiary's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization and Subsidiary's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Goodspeed Opera House Foundation, Inc. and Subsidiary as of December 31, 2020 and 2019, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 18 to the consolidated financial statements, management continues to evaluate the COVID-19 virus in the United States and its impact on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization and Subsidiary's financial condition and results of operations, the specific impact is not readily determinable as of the date of these consolidated financial statements. Our opinion is not modified with respect to this matter.

WithumSmith+Brown, PC

May 3, 2021

Goodspeed Opera House Foundation, Inc. and Subsidiary
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash and cash equivalents	$ 86,317	$ 262,899	$ 349,216	$ 74,110	$ 327,726	$ 401,836
Accounts receivable	161,919	-	161,919	122,985	-	122,985
Unconditional promises to give	44,758	146,350	191,108	27,067	138,240	165,307
Prepaid expenses	188,178	-	188,178	293,082	-	293,082
Inventory	40,587	-	40,587	41,343	-	41,343
Total current assets	521,759	409,249	931,008	558,587	465,966	1,024,553
Investments	12,491,610	7,100,169	19,591,779	11,200,268	7,174,562	18,374,830
Restricted cash	157,889	-	157,889	156,715	-	156,715
Restricted investment	624,763	-	624,763	732,900	-	732,900
Unconditional promises to give	-	97,835	97,835	10,000	169,193	179,193
Property and equipment, at cost, net of accumulated depreciation	11,047,226	-	11,047,226	11,594,018	-	11,594,018
Total assets	$ 24,843,247	$ 7,607,253	$ 32,450,500	$ 24,252,488	$ 7,809,721	$ 32,062,209
Liabilities and Net Assets						
Liabilities						
Current liabilities						
Bank loans, current portion	$ 939,040	$ -	$ 939,040	$ 448,998	$ -	$ 448,998
Accounts payable and accrued expenses	676,366	-	676,366	709,165	-	709,165
PPP loan payable	1,283,271	-	1,283,271	-	-	-
EIDL loan payable, current portion	2,095	-	2,095	-	-	-
Advance subscriptions	832,479	-	832,479	1,509,124	-	1,509,124
Deferred revenue	98,535	-	98,535	83,663	-	83,663
Gift annuity obligations	-	6,088	6,088	-	7,801	7,801
Unredeemed gift certificates	1,198,267	-	1,198,267	703,527	-	703,527
Deferred compensation plan payable	200,597	-	200,597	379,001	-	379,001
Total current liabilities	5,230,650	6,088	5,236,738	3,833,478	7,801	3,841,279
Bank loans, net of current portion	8,129	-	8,129	21,287	-	21,287
EIDL loan, net of current portion	147,905	-	147,905	-	-	-
Deferred compensation plan payable	424,166	-	424,166	353,899	-	353,899
Gift annuity obligations	-	37,703	37,703	-	54,983	54,983
Total liabilities	5,810,850	43,791	5,854,641	4,208,664	62,784	4,271,448
Net assets						
Without donor restrictions						
Property and equipment, net	11,047,226	-	11,047,226	11,594,018	-	11,594,018
Board designated - general fund	7,985,171	-	7,985,171	8,449,806	-	8,449,806
Total without donor restrictions	19,032,397	-	19,032,397	20,043,824	-	20,043,824
With donor restrictions	-	7,563,462	7,563,462	-	7,746,937	7,746,937
Total net assets	19,032,397	7,563,462	26,595,859	20,043,824	7,746,937	27,790,761
Total liabilities and net assets	$ 24,843,247	$ 7,607,253	$ 32,450,500	$ 24,252,488	$ 7,809,721	$ 32,062,209

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

Goodspeed Opera House Foundation, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenue						
Public support						
Membership	$ 274,303	$ 935,396	$ 1,209,699	$ 296,021	$ 998,845	$ 1,294,866
Contributions	1,452,808	38,091	1,490,899	585,240	280,430	865,670
Government grants	613,799	-	613,799	73,874	-	73,874
Donated services and materials	42,814	-	42,814	73,604	-	73,604
Special events, net of direct costs of $29,290 (2020) and $72,270 (2019)	125,419	-	125,419	81,214	-	81,214
Annual distributions	156,343	-	156,343	1,939,736	-	1,939,736
Gift annuities	-	25,072	25,072	-	51,237	51,237
Net assets released from restriction						
Membership	998,845	(998,845)	-	973,881	(973,881)	-
Contributions	280,430	(280,430)	-	226,808	(226,808)	-
Gift annuities	50,012	(50,012)	-	-	-	-
	3,994,773	(330,728)	3,664,045	4,250,378	129,823	4,380,201
Other revenue						
Admission	66,166	-	66,166	6,434,914	-	6,434,914
Rental income	148,365	-	148,365	340,970	-	340,970
Royalties	118,889	-	118,889	318,997	-	318,997
Education income	115,810	-	115,810	47,252	-	47,252
Miscellaneous	10,935	-	10,935	11,343	-	11,343
Enhancement income	-	-	-	187,500	-	187,500
Theatre tours events, net of expenses of $287,123 (2019)	-	-	-	119,246	-	119,246
Concession, net of cost of goods sold of $97,123 (2019)	-	-	-	125,132	-	125,132
Total public support and other revenue	4,454,938	(330,728)	4,124,210	11,835,732	129,823	11,965,555
Expenses						
Program services	4,682,933	-	4,682,933	11,113,977	-	11,113,977
Supporting services						
Management and general	811,004	-	811,004	909,313	-	909,313
Fundraising	730,655	-	730,655	847,612	-	847,612
Total supporting services	1,541,659	-	1,541,659	1,756,925	-	1,756,925
Total expenses	6,224,592	-	6,224,592	12,870,902	-	12,870,902
Change in net assets before non-operating activities	(1,769,654) *	(330,728)	(2,100,382)	(1,035,170) *	129,823	(905,347)
Non-operating activities						
Investment income	702,016	242,087	944,103	1,971,449	797,952	2,769,401
Annual distributions	-	(156,343)	(156,343)	(1,720,000)	(219,736)	(1,939,736)
Contributions	-	61,509	61,509	-	232,217	232,217
Reimbursed damages (flood insurance)	56,211	-	56,211	76,666	-	76,666
Net non-operating activities	758,227	147,253	905,480	328,115	810,433	1,138,548
Change in net assets	(1,011,427)	(183,475)	(1,194,902)	(707,055)	940,256	233,201
Net assets						
Beginning of year	20,043,824	7,746,937	27,790,761	20,750,879	6,806,681	27,557,560
End of year	$ 19,032,397	$ 7,563,462	$ 26,595,859	$ 20,043,824	$ 7,746,937	$ 27,790,761

* Includes depreciation expense of $473,716 (2020) and $491,162 (2019).

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

Goodspeed Opera House Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries	$ 1,886,781	$ 252,720	$ 396,585	$ 649,305	$ 2,536,086
Benefits and payroll taxes	740,517	88,259	101,756	190,015	930,532
Artistic and professional fees	155,233	309,999	19,417	329,416	484,649
Dues and subscriptions	18,637	494	494	988	19,625
Conferences, meetings and events	59,235	1,263	1,012	2,275	61,510
Special events expenses	20,626	-	46,472	46,472	67,098
Advertising, promotion and public relations	149,228	199	33,265	33,464	182,692
Production expense	181,949	-	-	-	181,949
Insurance	204,069	28,912	43,962	72,874	276,943
Utilities	203,216	13,617	6,078	19,695	222,911
Maintenance	479,943	8,858	10,913	19,771	499,714
Security	4,644	408	-	408	5,052
Performance rights and royalties	12,369	-	-	-	12,369
Office supplies	15,245	2,069	1,819	3,888	19,133
Computer expense	37,421	12,559	11,715	24,274	61,695
Telephone, cable and internet	68,712	6,627	2,672	9,299	78,011
Postage, printing and reproduction	10,966	-	5,986	5,986	16,952
Real estate taxes	30,650	2,799	-	2,799	33,449
Investment and finance fees	-	30,611	-	30,611	30,611
Travel and transportation	11,147	534	-	534	11,681
Miscellaneous	43,643	1,478	2,383	3,861	47,504
Depreciation	348,702	49,598	75,416	125,014	473,716
Total expenses	4,682,933	811,004	759,945	1,570,949	6,253,882
Less expenses included with revenues on the consolidated statement of activities					
Direct costs of special events	-	-	(29,290)	(29,290)	(29,290)
	$ 4,682,933	$ 811,004	$ 730,655	$ 1,541,659	$ 6,224,592

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

Goodspeed Opera House Foundation, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries	$ 5,490,652	$ 494,546	$ 513,439	$ 1,007,985	$ 6,498,637
Benefits and payroll taxes	1,458,760	104,512	88,649	193,161	1,651,921
Artistic and professional fees	514,918	149,836	114,885	264,721	779,639
Dues and subscriptions	21,504	686	2,656	3,342	24,846
Conferences, meetings and events	156,630	13,322	174,101	187,423	344,053
Special events expenses	34,017	1,307	165,597	166,904	200,921
Advertising, promotion and public relations	838,804	-	25,982	25,982	864,786
Production expense	850,784	-	19,084	19,084	869,868
Insurance	152,235	13,712	14,236	27,948	180,183
Utilities	377,106	5,705	5,923	11,628	388,734
Maintenance	251,689	17,230	8,716	25,946	277,635
Security	5,052	-	-	-	5,052
Concessions cost of goods sold	97,123	-	-	-	97,123
Performance rights and royalties	119,397	-	-	-	119,397
Office supplies	32,471	1,472	1,221	2,693	35,164
Computer expense	75,821	14,174	9,842	24,016	99,837
Fixtures, furniture and equipment	122,128	-	-	-	122,128
Telephone, cable and internet	82,469	4,445	1,120	5,565	88,034
Postage, printing and reproduction	30,641	2,349	12,513	14,862	45,503
Real estate taxes	32,347	2,718	-	2,718	35,065
Investment and finance fees	-	40,275	-	40,275	40,275
Travel and transportation	27,609	1,163	94	1,257	28,866
Miscellaneous	23,964	4,483	10,142	14,625	38,589
Depreciation	414,979	37,378	38,805	76,183	491,162
Total expenses	11,211,100	909,313	1,207,005	2,116,318	13,327,418
Less expenses included with revenues on the consolidated statement of activities					
Concession cost of goods sold	(97,123)	-	-	-	(97,123)
Theatre tours events expenses	-	-	(287,123)	(287,123)	(287,123)
Direct costs of special events	-	-	(72,270)	(72,270)	(72,270)
	$ 11,113,977	$ 909,313	$ 847,612	$ 1,756,925	$ 12,870,902

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

Goodspeed Opera House Foundation, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating and non-operating activities		
Change in net assets	$ (1,194,902)	$ 233,201
Adjustments to reconcile change in net assets to net cash used in operating and non-operating activities		
Depreciation	473,716	491,162
Reserve for construction costs	340,000	-
Net (gain) loss on gift annuity obligations	(3,869)	23,589
Net gain on deferred compensation investment	(90,910)	(79,140)
Donated securities	(66,135)	(20,352)
Realized gain on sale of investments and donated securities	(1,291,769)	(349,764)
Unrealized (gain) loss on investments and donated securities	821,590	(1,835,847)
Change in present value and allowance for uncollectible promises to give	(14,641)	19,869
Change in		
Accounts receivable and other current assets	(38,934)	52,682
Unconditional promises to give	70,198	(10,822)
Prepaid expenses	104,904	70,024
Inventory	756	10,187
Change in		
Accounts payable and accrued expenses	(32,799)	(106,138)
Advance subscriptions	(676,645)	(96,187)
Deferred revenue	14,872	(69,322)
Unredeemed gift certificates	494,740	24,244
Deferred compensation plan payable	(108,137)	159,140
Net cash used in operating and non-operating activities	(1,197,965)	(1,483,474)
Investing activities		
Purchase of property and equipment	(266,924)	(418,134)
Annuity payments	(15,125)	(16,683)
Purchase of investments	(7,177,233)	(1,104,493)
Proceeds from sales of investments and donated securities	6,496,598	2,442,138
Payments toward deferred compensation plan payable	(68,501)	(80,000)
Disbursement from deferred compensation plan	267,548	-
Net cash (used in) provided by investing activities	(763,637)	822,828
Financing activities		
Advances from bank loans	5,745,822	2,378,898
Principal payments towards bank loans	(5,268,937)	(2,939,954)
PPP loan proceeds received	1,283,271	-
EIDL loan proceeds received	150,000	-
Net cash provided by (used in) financing activities	1,910,156	(561,056)
Net change in cash, cash equivalents and restricted cash	(51,446)	(1,221,702)
Cash, cash equivalents and restricted cash		
Beginning of year	558,551	1,780,253
End of year	$ 507,105	$ 558,551
Supplemental disclosure		
Interest paid (bank loans)	$ 29,861	$ 40,281

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The mission of Goodspeed Opera House Foundation, Inc. (the "Organization") is to be the leader in preserving and producing musical theatre of the highest quality by:

- Rethinking, restoring and producing works that are valued and significant in the history of musical theatre;
- Developing new musical theatre works;
- Nurturing the talents of new composers, lyricists and librettists;
- Encouraging and developing the talents of artists, technicians, and administrators;
- Inspiring future audiences through education programs and outreach efforts;
- Preserving and expanding the archival collections of its Scherer Library of Musical Theatre and making them available for professional use;
- Maintaining the Goodspeed Opera House, a national historic landmark.

Due to the impacts of the COVID-19 virus, the Organization shut down the theatre and has not reopened as of the date of the consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Goodspeed Opera House Foundation, Inc. and its wholly owned subsidiary, Goodspeed Restaurant, Inc. (the “Subsidiary”). The Subsidiary was formed in 1994 as a Connecticut corporation to provide restaurant and hotel services for the patrons of the Organization and the community. All intercompany balances and transactions have been eliminated upon consolidation.

Basis of Accounting

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

The Organization’s resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: Include expendable resources that are used to carry out the Organization’s operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the Organization or may be limited by contractual agreements without side parties. In addition, net assets without donor restrictions include board designated endowment funds and property and equipment used in operations.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that may or will be met either by the actions of the Organization or through the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income may be made available for operations, subject to the Organization’s spending policy.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Fair Value Measurements

"Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price" in an orderly transaction between market participants).

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under "Fair Value Measurements and Disclosures" and the Organization's related types are described below.

Level 1 - Quoted prices of identical instruments in active markets.

Level 2 - Quoted prices of similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities. There were no transfers between levels 1, 2, and 3 for the years ended December 31, 2020 and 2019.

The Organization has the following recurring fair value measurements as of December 31, 2020 and 2019, respectively:

Domestic and International Stock

Valued at quoted market prices for identical assets in active markets.

Closed-End Fixed Income

Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available on comparable securities of issuers with similar credit ratings.

Federal Money Market Funds

Valued at the daily closing price as reported by the fund. Funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The funds held by the Organization are deemed to be actively traded.

Investments

Investments in marketable securities are reported at their fair market value in the accompanying consolidated statements of financial position. All investments are stated at their fair value. Net investment income (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses. Investments received by gift are initially recorded at fair value at the date of receipt. Fair values for stocks, bonds and U.S. government securities are based on quoted market prices. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated statements of activities. Gains and losses on sales of investments are determined using the average cost method.

Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization and its Subsidiary's policy to capitalize expenditures for these items in excess of $10,000. Lesser amounts are expensed. Property and equipment are being depreciated over the useful life of the related asset using the straight-line method. Leasehold improvements are amortized over the shorter of useful life or periods, including options, if any, specified in the related lease agreements. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Inventory

The Organization adopted Accounting Standards Update *ASU 2015-11, Inventory (Topic 330) Simplifying the Measurement of Inventory*. In accordance with *ASU 2015-11*, the Organization is required to measure its inventory at the lower of cost and net realizable value. Inventory consists of all finished goods. The Organization also maintains scenery and costume inventories of past productions. The Organization is unable to determine future use of the scenery and costumes and therefore they are expensed over the run of the public performances of the original show. The Organization has accumulated a book collection and certain artwork that has not been reflected in the consolidated financial statements since the fair market value is not determinable.

Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs, except for direct response marketing and other expenses incurred related to the subsequent season's performances that are deferred and recognized in the season when the related revenue is recognized. Advertising expense for the years ended December 31, 2020 and 2019 was $37,945 and $451,196, respectively.

Production Costs

Production costs are capitalized at cost and are amortized over the estimated life of the theatrical production. Since all productions closed prior to the issuance of the consolidated financial statements, all production costs have been expensed.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Significant estimates used in the preparation of these consolidated financial statements include depreciation and amortization, and the present value of unconditional promises to give. Actual results could differ from those estimates.

Tax Status and Uncertain Tax Positions

The Organization is a not-for-profit corporation, exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, the states of Connecticut and New York, and has been designated as an organization which is not a private foundation. The Organization is obligated for unrelated business income tax on net income from certain activities (i.e. wardrobe rental income). As of December 31, 2020 and 2019, the Organization had approximately $1,550,000 and $1,300,000, respectively, in unrelated business net operating losses carried forward. The carried forward losses have been fully reserved for since management is unable to determine the actual utilization of these losses.

The Subsidiary is a for-profit corporation subject to federal and state income taxes on net income, if any. As of December 31, 2020 and 2019, the Subsidiary had approximately $81,000 and $86,000, respectively, in net operating losses carried forward. The carried forward losses have been fully reserved for since management is unable to determine the actual utilization of these losses. The Subsidiary uses the asset and liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities at currently enacted tax rates. These temporary differences primarily relate to net operating loss carryforwards available to offset future taxable income. Valuation allowances are established, if necessary, to reduce a deferred tax asset to the amount that will more likely than not be realized.

The Organization and Subsidiary believe that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the consolidated financial statements. There are no income tax related penalties and interest included in the accompanying consolidated financial statements.

Revenue and Support Recognition

Contributions and Promises to Give - Grants and contributions are recognized when cash is received or when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions and grants are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Revenue from Contracts with Customers - The Organization accounts for admissions, royalties, concessions, theatre tour events, education income, and enhancement income as exchange transactions in the statements of activities and changes in net assets. Revenue from contracts with customers are treated as revenues without donor restrictions. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities in the consolidated statement of financial position.

Other revenues are obtained from rental income, miscellaneous, and investment income. These revenues are used to offset program, management and general and fundraising expenses. Revenue from these sources are recognized when earned. Certain investment income has been classified as with donor restrictions based on donor stipulations.

Revenue from Contracts with Customers

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Organization performs the following steps (i) identify contracts with customers; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Organization satisfies each performance obligation.

The following summarizes the Organization’s performance obligations:

Admission

Admission represents the sums actually paid for individual tickets of admission to a production of the Organization including handling and other fees. Tickets are non-refundable at the time of receipt, unless a performance is cancelled. The Organization estimates the number of cancellations and records a reserve if deemed material. Fees are non-refundable at the time of receipt. The Organization allows for exchanges under certain circumstances for tickets of equal or lesser value. The total yearly adjustment for exchanged tickets is immaterial to the Organization. Tickets purchased in advance are recorded as contract liabilities by the Organization. Advanced ticket sales are recorded as revenue when the performance related to the ticket sale is complete. Admission is recognized at a specific point in time, which is when the performance related to the ticket is complete.

Other Exchange Transactions

Royalties are recognized when the performance is complete. Education income is recognized in the period to which the fees relate. Concession income is recognized when the sale occurs. Theatre tour events are recognized when the events are complete. Enhancement income is recognized over the length of the production.

The timing of revenue recognition, billings and cash collections results in accounts receivables and contract liabilities, which are shown as advance subscriptions, deferred revenue and unredeemed gift certificates on the consolidated statements of financial position. Contract liabilities as of December 31, 2020 and 2019 were $2,129,281 and $2,296,314, respectively. Accounts receivable and contract liabilities as of January 1, 2019 were $175,667 and $2,437,579, respectively.

2. RESTRICTION ON NET ASSETS

Net Assets Without Donor Restrictions

The Board of Trustees has designated unrestricted net assets as a general endowment fund to support the mission of the Organization. Since these funds resulted from an internal designation and are not donor-restricted, it is classified and reported as net assets without donor restrictions. The Organization has a spending policy of appropriating for distribution each year a set amount based on the Organization’s current operating budget. In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its general endowment fund to grow. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return. During the years ended December 31, 2020 and 2019, net investment earnings of the unrestricted net assets were $702,016 and $1,971,449, respectively, with annual distributions of $1,720,000 in 2019.

Net Assets With Donor Restrictions

The following net assets are restricted for the following purposes:

	2020	2019
Grants and contributions (subject to expenditure for specific purpose)		
Future periods and programs		
Membership income	$ 935,396	$ 998,845
Capital campaign (Note 8)	628,693	606,143
Future programs and periods	38,090	280,433
Gift annuity funds	262,762	287,703
	1,864,941	2,173,124
Less: Discount to present value	(21,768)	(31,071)
	1,843,173	2,142,053
Accumulated endowment earnings	1,006,602	920,857
	2,849,775	3,062,910
Donor-designated endowments (to be held in perpetuity)		
Donor directed use of investment income		
Michael Price Endowment Fund	1,552,336	1,523,336
Unrestricted	1,400,000	1,400,000
Musical theater education and related programs	1,404,496	1,404,496
Library	238,930	238,930
Opera House	71,000	71,000
Internships	50,000	50,000
New Works Fund	25,000	25,000
	4,741,762	4,712,762
Less: Allowance for uncollectible promises to give	(23,000)	(21,500)
Less: Discount to present value	(5,075)	(7,235)
	4,713,687	4,684,027
Total net assets with donor restrictions	$ 7,563,462	$ 7,746,937

Endowment Policy

At the donors' request, 5% of the balances of the Musical Theater Education and Related Programs and Library funds (the "Funds") are to be distributed annually to the Organization. Any excess investment income is to be added to the Funds, with any losses reducing the excess restricted investment income and then unrestricted net assets. During the year ended December 31, 2020, investment income on the Funds was $242,087. During the year ended December 31, 2019, investment income on these Funds was $797,952 including $200,031 of investment income reflected as increase to endowment assets. During the years ended December 31, 2020 and 2019, the distribution was $156,343 and $219,736, respectively.

In 2014, the Organization created the Michael Price Endowment Fund (the "Fund"). The Fund supports the Organization's core mission by helping to produce one mainstage musical each season. As of December 31, 2020, the Fund balance net of discount and allowance was $1,524,261. As of December 31, 2019, the Fund balance net of discount and allowance was $1,494,601.

The Organization's endowment consists of funds established for the purposes described above. Its endowment includes six donor-restricted endowment funds. As required by Generally Accepted Accounting Principles in the United States of America (“GAAP”), net assets associated with an endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund;
b. The purposes of the Organization and the donor-restricted endowment fund;
c. General economic conditions;
d. The possible effect of inflation and deflation;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the Organization; and
g. The investment policy of the Organization.

Return Objectives and Risk Parameters

The Organization has adopted investment policy for endowment assets with the primary goal of maintaining the original value of the endowment principal, while providing funding to programs supported by its endowment. Under this policy, the endowment assets are invested in a manner that is intended to produce income and preserve principal while assuming a very low level of investment risk.

Changes in endowment assets is as follows for the year ended December 31, 2020:

Endowment net assets, December 31, 2019	$ 4,684,027
Contributions	29,000
Net investment income	242,087
Appropriation for spending	(242,087)
Change in discount to present value	2,160
Increase in reserve for uncollectable	(1,500)
Endowment net assets, December 31, 2020	$ 4,713,687

Changes in endowment assets is as follows for the year ended December 31, 2019:

Endowment net assets, December 31, 2018	$ 4,425,578
Contributions	63,418
Net investment income	721,061
Appropriation for spending	(597,821)
Reversal of underwater endowments	76,791
Increase in reserve for uncollectable	(5,000)
Endowment net assets, December 31, 2019	$ 4,684,027

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	2020	2019
Financial assets		
Cash and cash equivalents	$ 86,317	$ 74,110
Accounts receivable	161,919	122,985
Unconditional promises to give	44,758	27,067
Investments	12,491,610	11,200,268
	12,784,604	11,424,430
Liquidity resources		
Unused line of credit	1,324,114	1,072,461
Total financial assets and liquidity resources available within one year	$ 14,108,718	$ 12,496,891

The Organization's cash flows have seasonal variations due to subscriptions series renewals and single tickets sales. To manage liquidity, the Organization sells subscriptions at the beginning of the season to have cash on hand to pay for operating expenditures. The Organization rents two theatres and receives rent, service fees as well as other reimbursable expenses paid by the Organization. The Organization receives the advance ticket sales for the productions renting the theatres. Due to COVID-19, the Organization currently does not have in-person theatrical productions at its theatre. In addition, the Organization has pledge campaigns to fund operations and other projects. The Organization's endowment funds consist of donor-restricted endowments. The Organization has a spending policy to fund any loses through the endowments.

4. CONCENTRATION OF CREDIT RISK AND RESTRICTED CASH

The Organization maintains cash and cash equivalent balances at several financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution. As of December 31, 2020, the Organization had no uninsured cash and cash equivalents.

The Organization maintains investment balances at several financial institutions. The balances are insured by the Securities Investor Protection Corporation ("SIPC") up to $500,000. The SIPC does not protect investors from market risks. As of December 31, 2020, the Organization's uninsured investment balances totaled $18,846,655.

As of December 31, 2020 and 2019, restricted cash consisted of a restricted certificate of deposit of $121,306 and $120,223, respectively, which is pledged as collateral to meet the requirements of the Actors' Equity Association Union Agreement. As of December 31, 2020 and 2019, restricted cash also included $36,583 and $36,492, respectively, which is pledged as collateral to meet the bond requirements of the Town of East Haddam's planning and zoning commission. The bonds will be released upon processing of final documentation and are expected to be released in fiscal year 2021.

5. CASH, CASH EQUIVALENTS AND INVESTMENTS

Fair Value of Financial Instruments

The fair value and carrying amount of the Organization's cash and short-term investments as of December 31, 2020 and 2019 was $507,105 and $558,551, respectively. Cash, restricted cash and short-term investments carrying amount approximates fair value because of the short maturities of those investments.

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at December 31, 2020 and 2019 consist of common and preferred stocks, mutual funds, high yield bank loans and US and other bond obligations. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. There were no transfers between levels 1, 2, and 3 for the years ended December 31, 2020 and 2019.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
Domestic and international stocks	$ 4,997,391	$ -	$ -	$ 4,997,391
Closed-end fixed income				
Intermediate investments funds	1,520,634	-	-	1,520,634
Long-term investment funds	1,257,624	-	-	1,257,624
Short-term investment funds	2,276,699	-	-	2,276,699
Bond market index funds	5,046,249	-	-	5,046,249
US and other bond obligations	2,656,548	-	-	2,656,548
High-yield bank loans	304,514	-	-	304,514
Federal money market fund	1,532,120	-	-	1,532,120
	$ 19,591,779	$ -	$ -	$ 19,591,779

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019:

	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
Domestic and international stocks	$ 9,937,333	$ -	$ -	$ 9,937,333
Closed-end fixed income				
Intermediate investments funds	647,624	-	-	647,624
Long-term investment funds	531,525	-	-	531,525
Short-term investment funds	966,787	-	-	966,787
Bond market index funds	2,147,091	-	-	2,147,091
US and other bond obligations	1,367,900	-	-	1,367,900
High-yield funds	620,023	-	-	620,023
Federal money market fund	2,156,547	-	-	2,156,547
	$ 18,374,830	$ -	$ -	$ 18,374,830

A financial institution has filed a secured interest in the Organization's investments (valued at approximately $2.9 million as of December 31, 2020) as collateral towards the Organization's lines of credit (Note 12c).

Restricted investments consisted of mutual funds for deferred compensation for key employees with fair value of $624,763 and cost of $516,284 as of December 31, 2020 and fair value of $732,900 and cost of $699,025 as of December 31, 2019.

Investment Income
Investment income consists of the following for the years ended December 31:

	2020	**2019**
Realized gain on sale of investments	$ 1,291,769	$ 349,764
Interest and dividend income	513,459	623,235
Unrealized gain/(loss) on investments	(821,590)	1,835,847
Administrative fees	(39,535)	(39,445)
	$ 944,103	$ 2,769,401

6. UNCONDITIONAL PROMISES TO GIVE

When estimating fair value of unconditional promises to give, the relationships with donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into present value techniques. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue. Uncollectible promises are expected to be insignificant. Unconditional promises to give to be received after one year are discounted at a rate of 5%.

Unconditional promises to give consist of the following at December 31, 2020:

	Less Than One Year	Over One Year	Total
Without donor restrictions	$ 44,758	$ -	$ 44,758
With donor restrictions	174,350	115,000	289,350
	219,108	115,000	334,108
Less: Reserve for uncollectible	(28,000)	-	(28,000)
Less: Discount for present value	-	(17,165)	(17,165)
	$ 191,108	$ 97,835	$ 288,943

Unconditional promises to give consist of the following at December 31, 2019:

	Less Than One Year	Over One Year	Total
Without donor restrictions	$ 27,067	$ 10,000	$ 37,067
With donor restrictions	159,740	207,499	367,239
	186,807	217,499	404,306
Less: Reserve for uncollectible	(21,500)	-	(21,500)
Less: Discount for present value	-	(38,306)	(38,306)
	$ 165,307	$ 179,193	$ 344,500

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	Life/Years	2020	2019
Land	n/a	$ 664,144	$ 664,144
Building and improvements	4-40	19,005,981	19,005,981
Furniture, fixtures, and equipment	3-30	2,468,655	2,468,655
Vehicles	5	442,524	442,524
		22,581,304	22,581,304
Less: Accumulated depreciation		(12,035,008)	(11,561,292)
Construction in process (note 8)	n/a	500,930	574,006
		$ 11,047,226	$ 11,594,018

Depreciation expense for the years ended December 31, 2020 and 2019 was $473,716 and $491,162, respectively.

Building and improvements include certain amounts funded by the Department of Economic and Community Development and therefore have certain term restrictions (see Notes 8 and 12h).

8. CAPITAL CAMPAIGN

In fiscal year 2018, the Organization launched a $7 million capital campaign (the "Campaign") to renovate the Goodspeed Opera House. The Organization received a $2.9 million grant from the Department of Economic and Community Development. The remaining amounts will be raised from donors and board members. As of December 31, 2020, the Organization has received $628,693, including pledges of $176,850 restricted to the Campaign which are reflected within net assets with donor restrictions (note 2). As of December 31, 2019, the Organization has received $606,143, including pledges of $225,740 restricted to the Campaign which are reflected within net assets with donor restrictions (note 2). During the planning and construction phases, certain operating and other costs are being capitalized as part of construction in progress. As of December 31, 2020 and 2019, $704,878 and $574,006, respectively, of planning costs were capitalized and are included within construction in progress (see note 7).

9. GIFT ANNUITY OBLIGATIONS

In prior years, the Organization received $301,503 in gift annuities. The gift annuities were reflected at fair value on the date of the gift less the estimated obligation under future benefits. Grantors are paid annually over joint lives as provided for within the grant instruments. The estimated obligation of the gifts as of December 31, 2020 and 2019 was $43,791 and $62,784, respectively.

10. RESTRICTED INVESTMENT AND DEFERRED COMPENSATION PLAN PAYABLE

The Organization has an unqualified deferred compensation plan under Section 457(b) of the Internal Revenue Service Code which covers certain qualified positions within the Organization, as defined within the plan document. The plan provides for funding under the annual IRS qualified threshold under employer contributory plans, including investment results over the term of the agreement. The Organization has title to and beneficial ownership of the invested funds until the earlier of termination (except for cause as defined in the agreement) or death or disability. The Organization reflects the annual commitment under the unqualified deferred compensation plan as current salary expense. During the years ended December 31, 2020 and 2019, the Organization contributed $68,501 and $80,000, respectively, to the plan. As of December 31, 2020 and 2019, the balance of the deferred compensation payable is $624,763 and $732,900, respectively.

11. STATEMENT OF CASH FLOWS

The following comprises the cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total reported in the consolidated statements of cash flows for the years ended December 31, 2020 and 2019, respectively:

	2020	2019
Cash	$ 349,216	$ 401,836
Restricted cash	157,889	156,715
	$ 507,105	$ 558,551

12. COMMITMENTS AND CONTINGENCIES

a) Government supported programs are subject to audit by the granting agency.

b) The Subsidiary entered into a lease to rent the Gelston House to an unrelated party for a period of sixteen years (with provisions for termination), ending December 31, 2021. The lease agreement has a renewal option for another five years. The lease provides for rent at an annual rate of $100,000 for the first two renewal years, and then the greater of $100,000 or certain percentages of gross sales for the remaining three years. Rental income for each of the years ended December 31, 2020 and 2019 was $100,000.

c) The Organization has a line of credit with a financial institution with a maximum availability of $2,500,000. The line of credit is due on demand and bears an annual interest rate of the daily libor plus 0.5% (2.25% as of December 31, 2020). As of December 31, 2020 and 2019, the amount outstanding was $925,886 and $427,539, respectively. The line of credit currently expires on July 31, 2022.

The financial institution has filed a secured interest in the Organization's investments (which were valued at approximately $2.9 million as of December 31, 2020), held by the financial institution.

In 2016, the Organization entered into two 5-year agreements with a financial institution totaling $63,000. The loans are secured by a title lien on two of the Organization's vehicles. Payments on the loan agreements commenced on April 1, 2016 and June 1, 2016 and are due monthly with a fixed interest rate of 4.75%. As of December 31, 2020 and 2019, the amount outstanding on both loans was $4,746 and $18,378, respectively. The loans expire on June 1, 2021.

In 2019, the Organization entered into a 3-year agreement with a financial institution totaling $25,000. The loan is secured by a title lien on one of the Organization's vehicle. Payments on the loan agreement commenced on December 1, 2019 and are due monthly with a fixed interest rate of 6.50%. As of December 31, 2020 and 2019, the amount outstanding on the loan was $16,537 and $24,368, respectively. The loan expires on December 1, 2022.

Loans are due as follows:

	2020	2019
Due during the year ending December 31, 2020	$ -	$ 448,998
" " " " " December 31, 2021	939,040	13,154
Thereafter, through December 1, 2022	8,129	8,133
	$ 947,169	$ 470,285

d) On May 31, 2020, The Organization was approved for an Economic Injury Disaster Loan (EIDL) in amount of $150,000. The EIDL is a 30-year term loan. The loan bears an annual rate of 2.75% and is collateralized by all tangible and intangible assets of the Organization. Monthly installments on the loan begin 12 months from the date of the loan. The loan is due as follows:

Due during the year ending December 31, 2021	$	2,095
" " " " " December 31, 2022		3,671
" " " " " December 31, 2023		3,773
" " " " " December 31, 2024		3,878
" " " " " December 31, 2025		3,985
Thereafter, through May 31, 2051		132,598
	$	150,000

e) The Organization contributes to six multiemployer pension plans under collective bargaining agreements covering union-represented employees, entirely in the entertainment industry. The vast majority of employers participating in these multiemployer plans are primarily engaged in the entertainment industry. These plans generally provide retirement benefits to vested participants based on their service to contributing employers, of which the Organization is one. In general, these plans are managed by a Board of Trustees with the unions appointing certain trustees and contributing employers of the plan appointing certain members. The Organization does not participate in any plan where it considers its contributions to be individually significant to the overall plan.

Based on information available to the Organization, three of the five multiemployer plans to which the Organization contributes are adequately funded under the applicable provisions in the Pension Protection Act enacted in 2006 ("PPA"). Two funds are in either "critical" or "endangered" status as those terms are defined in the PPA. The PPA requires all underfunded pension plans to improve their funding ratios within prescribed intervals based on their level of underfunding. Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the PPA, the Organization is unable to determine the amount of assessments the Organization may be subject to, if any.

Under applicable law upon the Organization ceasing to make contributions to, or other "withdrawal" from an underfunded multiemployer pension plan, the affected funds could seek contributions from the Organization for the Organization's proportionate share of the plan's unfunded vested liabilities. The Organization believes that under such circumstances, if a fund were to seek to access such contribution obligation upon the Organization's alleged "withdrawal", the Organization would have significant defenses against such assessment under applicable law. The Organization cannot determine at this time the impact that the alleged withdrawal from the affected plans may have on the Organization's financial position, results of operations or cash flows.

Approximately 20% and 25% of the Organization's employees and contractors are participants in multiemployer plans for the years ended December 31, 2020 and 2019, respectively. Pension and welfare expense associated with multiemployer plans amounted to $21,738 and $367,538 for the years ended December 31, 2020 and 2019, respectively.

f) The Organization has entered into various contracts with licensors in order to develop, produce, promote and present works on the stage in the presence of an audience. If a work produced by the Organization generates royalties to the author or composer, then the Organization will generally be entitled to a certain percentage of the net proceeds received by the author and/or composer.

g) The Organization has elected to use a collective Trust, 501(c) Agencies Trust (the "Trust"), for calculating and paying Connecticut unemployment benefits. As of December 31, 2020 and 2019, the Organization has advanced the Trust $106,824 and $118,442, respectively. Unemployment benefits charges paid for the years ended December 31, 2020 and 2019 were $235,625 and $176,000, respectively. The Trust is a collective of more than 1,500 not-for-profit organizations. Members of the Trust are responsible only for their own claims. The Trust is responsible for monitoring each member's activity to ensure sufficient funds are available. Any money held in the Organization's account earns interest based on the Trust's investments. The Trust has a conservative investment policy where 70% is in cash and bonds.

h) Under the grant terms with the Department of Economic and Community Development (the "DECD"), the DECD has placed a first position blanket lien on certain tangible assets that were purchased by the Organization under the DECD grant funding arrangements for a period of ten years. The cost value of those tangible assets is $7,444,203 and is reflected within buildings and improvements on the consolidated financial statements. The lien expires ten years after the project is completed, which was in 2010.

The Organization received a $2.9 million grant from the DECD (Note 8). Per terms of agreement after construction is completed, the Organization is obligated to use the property as a theatre for ten years.

In addition, the Organization received $400,000 flood damage bond from DECD.

i) As part of the Organization's capital campaign (see Note 8), the Organization hired an architect for certain design and preliminary plans for the overall project. The amount for the services through December 31, 2020 have been reflected within the consolidated financial statements. If the Organization continues with the project, there are certain future obligations for payment of services. If the Organization does not continue with the project, there are potential obligations for cancellation of the contract. Since the project is on hold due to COVID-19, the Organization is not certain of the amount, if any, under the cancellation of the contract that would be incurred. Currently, the Organization is planning on continuing the project, but the timing and extent of the project is unclear at this time.

13. EMPLOYEE BENEFIT PLAN

The Organization has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of the Organization. The Organization matches the employee's contribution amount up to a maximum of 3% of annual salary. Employees may make contributions to the plan up to the maximum amounts allowed by the Internal Revenue Code if they wish. During the years ended December 31, 2020 and 2019, respectively, the Organization did not contribute to the plan.

14. DONATED SERVICES AND MATERIALS

The Organization received donated services and materials during the years ended December 31, 2020 and 2019 support of its programs and operations. The fair market value has been recorded in the accompanying consolidated financial statements.

15. NEW ACCOUNTING PRONOUNCEMENT ISSUED NOT YET EFFECTIVE

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet for all of the Organization's lease obligations. This ASU is effective for years beginning after December 15, 2021 (fiscal year 2022).

The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

16. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and supporting services has been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and supporting services based on analysis of personnel time and utilization of related activities if there is not a direct association to one of the functional categories. Management and general expense includes those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include occupancy, depreciation, which are allocated on a square footnote basis, as well as salaries, employee benefits, payroll taxes, office expense, insurance, and other, which are allocated on the basis of estimates of time and effort.

17. PAYCHECK PROTECTION PROGRAM

On April 16, 2020, the Organization was issued an unsecured promissory note (the “PPP Loan”) in the amount of $1,283,271 through the Paycheck Protection Program ("PPP") established under the CARES Act and administered by the U.S. Small Business Administration (“SBA”). The PPP Loan may be forgiven, in whole or in part, if the Organization is in compliance with SBA and PPP Loan program restrictions which include, but not exclusive to, eligibility at the time of applying and using loan proceeds for eligible expenses within a 24-week period after the PPP Loan was disbursed (“Covered Period”). If the PPP Loan is not forgiven, monthly principal and interest payments are deferred until six months after the end of the Covered Period. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The PPP Loan was made through a financial institution (the “Lender”), has a two-year term, bears interest at 1.00% per annum, and matures on April 16, 2022.

18. EMPHASIS OF A MATTER

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

19. EVALUATION OF SUBSEQUENT EVENTS

The Organization and Subsidiary have evaluated subsequent events through May 3, 2021, the date which the consolidated financial statements were available to be issued. Based on this evaluation, the Organization and Subsidiary have determined that no subsequent events have occurred which require adjustment to or disclosure in these consolidated financial statements.