




Theatre Development Fund, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022



Theatre Development Fund, Inc.
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees
Theatre Development Fund, Inc.
New York, New York

Opinion

We have audited the financial statements of Theatre Development Fund, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Theatre Development Fund, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Theatre Development Fund, Inc. 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.

Emphasis of Matter

As described in *Note 9* to the financial statements, in 2023, Theatre Development Fund, Inc. adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

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 Theatre Development Fund, Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

FORVIS,LLP

New York, New York
September 26, 2023

Theatre Development Fund, Inc.
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 1,825,643	\$ 3,001,742
Accounts receivable (net of allowance for doubtful accounts of \$0 in 2023 and 2022)	127,408	159,473
Contributions receivable, net	1,009,970	494,644
Employee retention credit receivable	802,200	802,200
Investments	7,734,074	4,825,805
Prepaid expenses and other assets	170,023	291,986
Property and equipment, net	1,111,306	1,078,661
Right of use assets - operating leases	4,426,286	-
	<u>\$ 17,206,910</u>	<u>\$ 10,654,511</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,075,870	\$ 726,030
Due to theatres	1,095,458	536,019
Deferred revenues	274,256	174,032
Gift and credit redemptions outstanding	1,145,640	976,427
Accrued pension liability	473,875	806,098
Deferred rent	-	1,022,162
Operating lease liabilities	5,162,381	-
	<u>9,227,480</u>	<u>4,240,768</u>
Net Assets		
Without donor restrictions	6,588,552	5,293,688
With donor restrictions	1,390,878	1,120,055
	<u>7,979,430</u>	<u>6,413,743</u>
Total net assets	<u>7,979,430</u>	<u>6,413,743</u>
Total liabilities and net assets	<u>\$ 17,206,910</u>	<u>\$ 10,654,511</u>

Theatre Development Fund, Inc.

Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
TKTS service and handling charges	\$ 4,215,524	\$ -	\$ 4,215,524
Ticket distribution service and handling charges	3,606,622	-	3,606,622
Memberships	3,803,984	-	3,803,984
Costume collection rental income	802,293	-	802,293
Grants and contributions	2,605,267	622,800	3,228,067
Forgiveness of lease liability	249,456	-	249,456
Net investment return	594,416	7,523	601,939
Other income	546,346	-	546,346
Net assets released from restrictions	359,500	(359,500)	-
	<u>16,783,408</u>	<u>270,823</u>	<u>17,054,231</u>
Expenses			
Program services			
TKTS by TDF	3,634,117	-	3,634,117
TDF Membership Program	2,444,978	-	2,444,978
TDF Schools and Community Engagement	1,710,371	-	1,710,371
TDF Accessibility Programs	1,634,541	-	1,634,541
Costume Collection	1,509,339	-	1,509,339
Digital Strategy and Journalism	792,845	-	792,845
Outreach and Public Relations	565,973	-	565,973
Audience Research	99,099	-	99,099
	<u>12,391,263</u>	<u>-</u>	<u>12,391,263</u>
Administration	2,242,731	-	2,242,731
Fundraising	1,223,687	-	1,223,687
	<u>3,466,418</u>	<u>-</u>	<u>3,466,418</u>
	<u>15,857,681</u>	<u>-</u>	<u>15,857,681</u>
Change in Net Assets from Operations	925,727	270,823	1,196,550
Nonoperating Activity			
Pension-related changes other than periodic pension cost	369,137	-	369,137
Change in Net Assets	1,294,864	270,823	1,565,687
Net Assets, Beginning of Year	5,293,688	1,120,055	6,413,743
Net Assets, End of Year	<u>\$ 6,588,552</u>	<u>\$ 1,390,878</u>	<u>\$ 7,979,430</u>

Theatre Development Fund, Inc.

Statement of Activities Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
TKTS service and handling charges	\$ 1,947,246	\$ -	\$ 1,947,246
Ticket distribution service and handling charges	1,794,249	-	1,794,249
Memberships	1,514,361	-	1,514,361
Costume collection rental income	667,393	-	667,393
Grants and contributions	2,364,298	516,410	2,880,708
Contributed nonfinancial assets	38,350	-	38,350
Employee retention credit	802,200	-	802,200
Net investment return	(614,763)	-	(614,763)
Other income	390,773	-	390,773
Loan forgiveness	1,990,000	-	1,990,000
Net assets released from restrictions	401,000	(401,000)	-
	<u>11,295,107</u>	<u>115,410</u>	<u>11,410,517</u>
Expenses			
Program services			
TKTS by TDF	2,170,487	-	2,170,487
TDF Membership Program	1,903,150	-	1,903,150
TDF Schools and Community Engagement	1,272,954	-	1,272,954
TDF Accessibility Programs	1,155,815	-	1,155,815
Costume Collection	1,177,791	-	1,177,791
Digital Strategy and Journalism	709,686	-	709,686
Outreach and Public Relations	581,518	-	581,518
Audience Research	171,286	-	171,286
	<u>9,142,687</u>	<u>-</u>	<u>9,142,687</u>
Administration	1,150,068	-	1,150,068
Fundraising	1,367,983	-	1,367,983
	<u>2,518,051</u>	<u>-</u>	<u>2,518,051</u>
Total expenses	<u>11,660,738</u>	<u>-</u>	<u>11,660,738</u>
Change in Net Assets from Operations	(365,631)	115,410	(250,221)
Nonoperating Activity			
Pension-related changes other than periodic pension cost	263,364	-	263,364
Change in Net Assets	(102,267)	115,410	13,143
Net Assets, Beginning of Year	<u>5,395,955</u>	<u>1,004,645</u>	<u>6,400,600</u>
Net Assets, End of Year	<u>\$ 5,293,688</u>	<u>\$ 1,120,055</u>	<u>\$ 6,413,743</u>

Theatre Development Fund, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services								Total
	TKTS by TDF	TDF Membership Program	TDF Schools and Community Engagement Programs	TDF Accessibility Programs	Costume Collection	Digital Strategy and Journalism	Outreach and Public Relations	Audience Research	
Salaries	\$ 2,181,406	\$ 783,416	\$ 801,644	\$ 390,272	\$ 457,660	\$ 399,917	\$ 357,934	\$ 59,251	\$ 5,431,500
Payroll taxes and employee benefits	884,635	301,779	179,828	154,117	176,061	152,215	127,696	19,525	1,995,856
	<u>3,066,041</u>	<u>1,085,195</u>	<u>981,472</u>	<u>544,389</u>	<u>633,721</u>	<u>552,132</u>	<u>485,630</u>	<u>78,776</u>	<u>7,427,356</u>
Security and professional fees	60,116	24,360	38,010	72,021	4,751	32,508	923	1,202	233,891
Advertising, marketing, and travel	3,954	507	7,177	9,343	8,124	7,322	21,328	23	57,778
Office expenses and occupancy	230,434	288,676	99,265	114,017	353,772	53,357	20,854	11,204	1,171,579
Equipment rental, maintenance, and technology	28,370	102,353	11,547	22,526	24,023	111,147	2,855	4,938	307,759
Printing, publications, postage, and shipping	-	42,384	2,419	5,512	36,415	758	7,825	142	95,455
Insurance	32,910	20,252	4,263	5,595	47,381	3,177	1,018	888	115,484
Ticket purchases	-	-	515,598	674,406	-	260	-	-	1,190,264
Subsidy expense	-	151,620	-	-	-	-	-	-	151,620
Costume cleaning and related expenses	-	-	-	-	148,577	-	-	-	148,577
Credit card fees	92,967	644,052	-	25,095	41,516	-	-	-	803,630
Grants	-	-	-	135,000	-	-	-	-	135,000
Leagues' Special Projects	-	-	-	-	-	-	-	-	-
Miscellaneous	14,553	78,619	49,180	25,197	161,996	28,584	23,860	1,926	383,915
	<u>3,529,345</u>	<u>2,438,018</u>	<u>1,708,931</u>	<u>1,633,101</u>	<u>1,460,276</u>	<u>789,245</u>	<u>564,293</u>	<u>99,099</u>	<u>12,222,308</u>
Depreciation expense	104,772	6,960	1,440	1,440	49,063	3,600	1,680	-	168,955
	<u>\$ 3,634,117</u>	<u>\$ 2,444,978</u>	<u>\$ 1,710,371</u>	<u>\$ 1,634,541</u>	<u>\$ 1,509,339</u>	<u>\$ 792,845</u>	<u>\$ 565,973</u>	<u>\$ 99,099</u>	<u>\$ 12,391,263</u>

Theatre Development Fund, Inc.
Statement of Functional Expenses
Year Ended June 30, 2023 (Continued)

	Supporting Services			Total
	Administration	Fundraising	Total	
Salaries	\$ 946,242	\$ 629,212	\$ 1,575,454	\$ 7,006,954
Payroll taxes and employee benefits	321,446	182,678	504,124	2,499,980
	1,267,688	811,890	2,079,578	9,506,934
Security and professional fees	319,106	105,909	425,015	658,906
Advertising, marketing, and travel	19,544	5,750	25,294	83,072
Office expenses and occupancy	366,078	52,698	418,776	1,590,355
Equipment rental, maintenance, and technology	67,930	32,941	100,871	408,630
Printing, publications, postage, and shipping	7,317	62,635	69,952	165,407
Insurance	27,104	3,177	30,281	145,765
Ticket purchases	1,430	-	1,430	1,191,694
Subsidy expense	-	-	-	151,620
Costume cleaning and related expenses	-	-	-	148,577
Credit card fees	21,698	65,447	87,145	890,775
Grants	-	-	-	135,000
Leagues' Special Projects	20,000	-	20,000	20,000
Miscellaneous	122,436	79,160	201,596	585,511
	2,240,331	1,219,607	3,459,938	15,682,246
Total expenses before depreciation				
Depreciation expense	2,400	4,080	6,480	175,435
	\$ 2,242,731	\$ 1,223,687	\$ 3,466,418	\$ 15,857,681
Total expenses				

Theatre Development Fund, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services								
	TKTS by TDF	TDF Membership Program	TDF Schools and Community Engagement Programs	TDF Accessibility Programs	Costume Collection	Digital Strategy and Journalism	Outreach and Public Relations	Audience Research	Total
Salaries	\$ 1,303,411	\$ 821,394	\$ 769,075	\$ 371,427	\$ 355,727	\$ 344,718	\$ 339,605	\$ 104,597	\$ 4,409,954
Payroll taxes and employee benefits	517,358	250,335	158,204	101,672	140,013	129,891	104,653	16,242	1,418,368
	<u>1,820,769</u>	<u>1,071,729</u>	<u>927,279</u>	<u>473,099</u>	<u>495,740</u>	<u>474,609</u>	<u>444,258</u>	<u>120,839</u>	<u>5,828,322</u>
Security and professional fees	9,742	12,674	33,275	68,168	1,970	13,709	362	18,623	158,523
Advertising, marketing, and travel	1,367	536	1,058	2,991	185	4,230	11,252	16	21,635
Office expenses and occupancy	136,294	270,625	82,512	100,578	343,489	51,630	19,544	10,537	1,015,209
Equipment rental, maintenance, and technology	20,032	108,116	12,075	22,293	29,145	74,018	2,982	5,338	273,999
Printing, publications, postage, and shipping	277	19,082	1,520	4,005	20,339	896	1,456	143	47,718
Insurance	30,352	18,092	3,878	5,063	44,715	2,858	925	790	106,673
Ticket purchases	-	-	190,969	368,968	-	-	-	-	559,937
Subsidy expense	-	144,305	-	-	-	-	-	-	144,305
Costume cleaning and related expenses	-	-	-	-	137,698	-	-	-	137,698
Credit card fees	47,360	206,372	-	10,909	51,575	-	-	-	316,216
Grants	-	-	-	87,000	-	-	-	-	87,000
Leagues' Special Projects	-	-	-	-	-	70,000	80,000	15,000	165,000
Miscellaneous	8,006	20,538	14,903	7,256	502	4,024	14,340	-	69,569
	<u>2,074,199</u>	<u>1,872,069</u>	<u>1,267,469</u>	<u>1,150,330</u>	<u>1,125,358</u>	<u>695,974</u>	<u>575,119</u>	<u>171,286</u>	<u>8,931,804</u>
Total expenses before depreciation									
Depreciation expense	96,288	31,081	5,485	5,485	52,433	13,712	6,399	-	210,883
	<u>\$ 2,170,487</u>	<u>\$ 1,903,150</u>	<u>\$ 1,272,954</u>	<u>\$ 1,155,815</u>	<u>\$ 1,177,791</u>	<u>\$ 709,686</u>	<u>\$ 581,518</u>	<u>\$ 171,286</u>	<u>\$ 9,142,687</u>
Total expenses									

Theatre Development Fund, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022 (Continued)

	Supporting Services			Total
	Administration	Fundraising	Total	
Salaries	\$ 246,830	\$ 699,481	\$ 946,311	\$ 5,356,265
Payroll taxes and employee benefits	197,870	172,612	370,482	1,788,850
	444,700	872,093	1,316,793	7,145,115
Security and professional fees	138,143	100,041	238,184	396,707
Advertising, marketing, and travel	16,220	14,175	30,395	52,030
Office expenses and occupancy	398,536	51,544	450,080	1,465,289
Equipment rental, maintenance, and technology	72,333	34,662	106,995	380,994
Printing, publications, postage, and shipping	8,095	55,006	63,101	110,819
Insurance	25,223	2,858	28,081	134,754
Ticket purchases	-	-	-	559,937
Subsidy expense	-	-	-	144,305
Costume cleaning and related expenses	-	-	-	137,698
Credit card fees	9,924	110,838	120,762	436,978
Grants	-	-	-	87,000
Leagues' Special Projects	1,230	-	1,230	166,230
Miscellaneous	26,523	111,226	137,749	207,318
Total expenses before depreciation	1,140,927	1,352,443	2,493,370	11,425,174
Depreciation expense	9,141	15,540	24,681	235,564
Total expenses	<u>\$ 1,150,068</u>	<u>\$ 1,367,983</u>	<u>\$ 2,518,051</u>	<u>\$ 11,660,738</u>

Theatre Development Fund, Inc.
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 1,565,687	\$ 13,143
Items not requiring (providing) operating cash flows		
Depreciation	175,435	235,564
Pension other than periodic pension cost	(369,137)	(263,364)
Noncash operating lease expense	742,295	-
Bad debt expense	83,526	-
Gain on loan forgiveness	-	(1,990,000)
Forgiveness of lease liability	(249,456)	-
Net realized and unrealized (gains) losses on investments	(430,351)	686,700
Changes in		
Accounts receivable	(51,461)	11,191
Contributions receivable	(515,326)	(243,744)
Other receivables	-	(802,200)
Prepaid expenses and other assets	121,963	(82,047)
Accounts payable and accrued expenses	349,840	86,892
Due to theatres	559,439	498,178
Deferred revenue	100,224	120,793
Gift certificate liability	169,213	202,302
Accrued pension liability	36,914	(31,543)
Deferred rent	-	298,829
Change in operating lease liabilities	(778,906)	-
Net cash provided by (used in) operating activities	1,509,899	(1,259,306)
Investing Activities		
Purchase of property and equipment	(208,080)	(144,000)
Proceeds from sale of investments	1,124,147	5,025,066
Purchases of investments	(3,602,065)	(3,684,240)
Net cash provided by (used in) investing activities	(2,685,998)	1,196,826
Net Change in Cash and Cash Equivalents	(1,176,099)	(62,480)
Cash and Cash Equivalents, Beginning of Year	3,001,742	3,064,222
Cash and Cash Equivalents, End of Year	\$ 1,825,643	\$ 3,001,742

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note 1: Nature of Entity and Summary of Significant Accounting Policies

Nature of Entity

Theatre Development Fund, Inc. (TDF or the Organization), a not-for-profit organization founded in 1967 to promote the performing arts, is a broadly-oriented service and advocacy organization dedicated to bringing the power of the performing arts to everyone. TDF's activities fall into three areas. TDF expands access, making the performing arts accessible to all by removing cultural, physical, and financial barriers. TDF cultivates communities of theatergoers by engaging, educating, and encouraging people to make the performing arts an essential part of their lives. TDF supports theatre makers, sustains creators, and advances the industry through convenings, research, and the TDF Costume Collection. Through its programs, TDF typically brings theatre into the lives of over 2,000,000 people per year. TDF's efforts are primarily focused in New York, but it has also been involved in audience development efforts for the performing arts across the United States and, on a limited basis, internationally.

Use of Estimates

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

Cash and Cash Equivalents

TDF considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At June 30, 2023 and 2022, cash equivalents consisted primarily of money market accounts with banks.

During the normal course of business, TDF's cash accounts periodically exceed federally insured limits.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which TDF has an unconditional right to receive. TDF provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Investments and Net Investment Return

TDF measures securities at fair value.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

Property and equipment acquisitions over \$3,000 are stated at cost, less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture, computers, and equipment	3–5 years
Leasehold improvements	Life of lease
Website software application costs	3 years

Leases

TDF determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. TDF determines lease classification as operating or finance at the lease commencement date.

TDF combines lease and nonlease components, such as taxes and other maintenance costs, in calculating the ROU assets and lease liabilities for its residential rentals.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. TDF has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that TDF is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

TDF has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Costume Collection

The costume collection is not capitalized in as much as the items are cared for continuously. TDF's collection consists of donated costumes, a significant portion of which was originally acquired from Costume Collection, Inc. and the New York State Council on the Arts, and which also includes costumes that have been acquired through donations from others. TDF maintains such costumes and rents them primarily to not-for-profit organizations throughout the U.S. TDF has a policy to use proceeds from deaccessioned items for direct care of existing collections, which is cleaning, repair, and storage within appropriate conditions. No collection items were sold or removed in 2023 or 2022.

The value of the collection is not reflected as an asset in the statements of financial position. The collection is insured for losses up to a maximum of \$8 million.

Due to Theatres

Due to theatres consists of ticket sale amounts collected by TDF that have not yet been remitted to theatres as of year-end.

Contract Liabilities

Contract liabilities represent TDF's obligation to transfer goods or services to a customer when consideration has already been received from the customer. Contract liabilities are included as deferred revenue on the statements of financial position and are from service and handling charges related to tickets recognized over the periods to which the fees relate.

Gift and Credit Redemptions Outstanding

TDF sells gift certificates for use at TKTS Theatre Centers, gift cards for use through the TDF membership program, and also issues credits to participants of certain programs including students in TDF's Wendy Wasserstein Program. TDF continues to monitor redemptions outstanding, in consideration of all relevant state and local laws.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for an operating reserve.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Ticket Sale Service and Handling Charges and Costume Collection Rental Income

TDF has multiple revenue streams that are accounted for as exchange transactions, including service and handling charges from ticket sales and costume collection rental income. Revenue is recognized as TDF satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount to which TDF expects to be entitled in exchange for providing services. TDF determines the transaction price based on standard charges for services provided, reduced by implicit and explicit price concessions. TDF determines its estimates of implicit and explicit price concessions in alignment with TDF's mission. These concessions are based upon contractual agreements, TDF's discount policies, and historical experience.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Government Grants

Support funded by grants is recognized as TDF meets the conditions prescribed by the grant agreement, performs the contracted services, or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments may be required.

Employee Retention Credit

During the year ended June 30, 2022, TDF participated in the Federal Government's Employee Retention Credits (ERC) pandemic funding support program. The amount claimed of \$802,200 is included in grants and contributions on the statement of activities. The amount is outstanding at June 30, 2023 and 2022, and is included as employee retention credit receivable on the statements of financial position.

Laws and regulations concerning the employee retention credit are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge TDF's claim to the employee retention credit, and it is not possible to determine the impact this would have on TDF.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law, and has been designated as an organization which is not a private foundation.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the separate statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. A substantial portion of TDF's expenses are directly related to program activities. Certain costs have been allocated among the program, management and general, and fundraising categories based on hours worked, square footage of space used, and other methods.

Revisions

Certain immaterial revisions have been made to the 2022 financial statement note disclosures for the classification of pension plan assets included in *Note 11* whereby previously all investment categories were reported as Level 1 in the fair value hierarchy, but should have been reported as Level 2 or Level 3, and the inclusion of additional disclosures required for Level 3 plan assets. These revisions did not have a significant impact on the financial statement line items impacted.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note 2: Contributions Receivable

Contributions receivable consisted of the following:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 371,670	\$ 438,300	\$ 809,970
Due within one to five years	-	200,000	200,000
	<u>\$ 371,670</u>	<u>\$ 638,300</u>	<u>\$ 1,009,970</u>

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 110,644	\$ 229,500	\$ 340,144
Due within one to five years	-	154,500	154,500
	<u>\$ 110,644</u>	<u>\$ 384,000</u>	<u>\$ 494,644</u>

Management has determined that all amounts are collectible, and therefore no allowance for doubtful accounts has been recorded as of June 30, 2023 and 2022.

Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 and 2022:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023				
Mutual funds				
Equities	\$ 3,587,203	\$ 3,587,203	\$ -	\$ -
Fixed income	612,402	612,402	-	-
Fixed income				
U.S. government obligations	3,112,903	3,095,194	17,709	-
Corporate	<u>297,332</u>	<u>297,332</u>	<u>-</u>	<u>-</u>
Total investments reported on the fair value hierarchy	7,609,840	<u>\$ 7,592,131</u>	<u>\$ 17,709</u>	<u>\$ -</u>
Cash and cash equivalents	<u>124,234</u>			
Total investments	<u>\$ 7,734,074</u>			

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Mutual funds				
Equities	\$ 3,133,388	\$ 3,133,388	\$ -	\$ -
Fixed income	575,134	575,134	-	-
Fixed income				
U.S. government obligations	337,809	337,809	-	-
Corporate	<u>475,708</u>	<u>475,708</u>	<u>-</u>	<u>-</u>
Total investments reported on the fair value hierarchy	4,522,039	<u>\$ 4,522,039</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>303,766</u>			
Total investments	<u>\$ 4,825,805</u>			

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2023 and 2022.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 4: Property and Equipment

Property and equipment at June 30, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
Furniture, computers, and equipment	\$ 368,129	\$ 232,050
Leasehold improvements	2,665,072	2,665,072
Website and software application costs	<u>1,094,192</u>	<u>1,022,192</u>
	4,127,393	3,919,314
Less accumulated depreciation and amortization	<u>(3,016,087)</u>	<u>(2,840,653)</u>
	<u>\$ 1,111,306</u>	<u>\$ 1,078,661</u>

Note 5: Loan Payable

On December 27, 2020, the *Consolidated Appropriations Act of 2021* was signed into law and, among other things, established a new “Second Draw” Paycheck Protection Program. The Organization received a PPP loan of \$1,990,000 on January 27, 2021 pursuant to the Paycheck Protection Program Second Draw. The loan was due in five years from the date of the first disbursement and had a fixed interest rate of 1% per year. During the year ended June 30, 2022, the loan was forgiven, and the full amount of \$1,990,000 was recognized as income.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note 6: Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Use of building	\$ -	\$ 28,750
Donated tickets	-	<u>9,600</u>
	<u>\$ -</u>	<u>\$ 38,350</u>

Use of Building

The use of building is used for the costume collection program. In valuing the contributed building, which is located in Astoria, Queens, TDF estimated the fair value on the basis of recent comparable rental prices in Astoria's real estate market.

Tickets

Contributed tickets are used for TDF Schools and Community Engagement Programs. In valuing the contributed tickets, TDF estimated the fair value on the face value of actual tickets donated.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Note 7: Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	2023	2022
Subject to expenditure for specified purpose		
Theatre accessibility programs	\$ 125,000	\$ 125,000
Costume library	127,750	127,035
Theatre education program	194,305	186,020
Promises to give, the proceeds from which have been restricted by donors for		
Theatre accessibility programs	539,500	249,000
	986,555	687,055
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	98,800	135,000
	98,800	135,000
Endowments		
Subject to appropriation and expenditure		
Restricted by donor		
Theatre education programs	7,523	-
Not subject to spending policy or appropriation		
Required to be maintained in perpetuity by donor		
Theatre education program	298,000	298,000
	305,523	298,000
	\$ 1,390,878	\$ 1,120,055

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2023	2022
Expiration of time restrictions	\$ 105,000	\$ 105,000
Satisfaction of purpose restrictions	254,500	296,000
	\$ 359,500	\$ 401,000

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30 have been designated for the following purposes:

	2023	2022	2023 Change in Net Assets
Undesignated	\$ 397,810	\$ 19,110	\$ 378,700
TDF Activity/Leagues' special projects (A)	456,816	176,210	280,606
Board-designated reserve (B)	5,096,495	4,825,805	270,690
Net investment in property and equipment	1,111,306	1,078,661	32,645
Related to accrued pension expense	(473,875)	(806,098)	332,223
Net assets without donor restrictions	<u>\$ 6,588,552</u>	<u>\$ 5,293,688</u>	<u>\$ 1,294,864</u>

- (A) TDF Activity/Leagues' special projects represents the revenue derived from a portion of the service charge of the Theatre Centres that is to be used for TDF program activities and for League projects that are mutually agreed on by TDF and the Broadway League, or the League of Off-Broadway Theatres and Producers. These projects are administered by TDF. These revenues and expenses are reported as part of TDF's operating activities.
- (B) The board-designated reserve is primarily held available to support various TDF programs in the event of extraordinary circumstances and may not be used without the express approval of the Board of Trustees. The Board of Trustees has approved a policy to allow for annual appropriations to fund programmatic operations in an amount not to exceed 5% of the fair value of the reserve based on a rolling 16-quarter average fair market value. Appropriations during the years ended June 30, 2023 and 2022 were \$235,000 and \$305,000, respectively.

Note 8: Endowment

TDF launched a campaign to fund an endowment for the Wendy Wasserstein Project, a theatre education mentoring program for New York City high school students. The campaign remains in an early phase and TDF anticipates a multi-year campaign with a goal currently set at \$3 million. Through June 30, 2023, TDF received \$298,000 for this endowment. TDF also has \$178,000 of additional donor-restricted funds raised in prior years in memory of Wendy Wasserstein totaling approximately \$178,000, and those funds will be used in conjunction with the endowment earnings. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body is subject to the *State of New York's Prudent Management of Institutional Funds Act* (NYPMIFA). As a result, the Organization classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

TDF invests its endowment funds in United States Treasury Bills. These investments are intended to produce current income while assuming a low level of investment risk. During the year ended June 30, 2022, TDF did not earn or appropriate any income for expenditure.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

The composition of net assets by type of endowment fund at June 30, 2023 and 2022 was:

	With Donor Restrictions	
	2023	2022
Donor-restricted endowment funds		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 298,000	\$ 298,000
Accumulated investment gains	7,523	-
Total endowment funds	<u>\$ 305,523</u>	<u>\$ 298,000</u>

Change in endowment net assets for the years ended June 30, 2023 and 2022 was:

	With Donor Restrictions	
	2023	2022
Endowment net assets, beginning of year	\$ 298,000	\$ 298,000
Investment return, net	7,523	-
Endowment net assets, end of year	<u>\$ 305,523</u>	<u>\$ 298,000</u>

Note 9: Leases

Changes in Accounting Principles

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under Accounting Standards Codification (ASC) 840 option.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

TDF adopted Topic 842 on July 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. TDF elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to the effective date. TDF has lease agreements with nonlease components that relate to the lease components. TDF elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, TDF elected to keep short-term leases with an initial term of 12 months or less off the statement of financial position. TDF did not elect the hindsight practical expedient in determining the lease term for existing leases as of July 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$5,168,581 and \$6,190,743, respectively, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. As part of adopting the standard, previously recognized liabilities for deferred rent and lease incentives were reclassified as a component of the ROU assets. The standard did not significantly affect the statements of activities or cash flows.

The cumulative effect of the changes made to the statement of financial position for the adoption of this standard was as follows:

	June 30, 2022 as Reported	ASC 842 Adjustment July 1, 2022	July 1, 2022 As Adjusted
Assets			
Right-of-use assets - operating leases (A)	\$ -	\$ 5,168,581	\$ 5,168,581
Liabilities			
Deferred rent expense (B)	1,022,162	(1,022,162)	-
Operating lease liabilities (C)	-	6,190,743	6,190,743

- (A) The adjustment represents the capitalization of right-of-use assets – operating leases and the reclassification of prepaid rent and leasehold acquisition costs, offset by the reclassification of straight-line rent accruals, tenant improvement allowances, and vacant space reserves.
- (B) The adjustment represents the reclassification of straight-line rent accruals, tenant improvement allowances, and vacant space reserves to right-of-use assets – operating leases.
- (C) The adjustment represents the recognition of operating lease liabilities.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Nature of Leases

TDF has entered into the following lease arrangements:

Operating Leases

TDF has leases for office space that expire in various years through 2031. These leases require TDF to pay all executory costs (property taxes, maintenance, and insurance). Lease payments have an escalating fee schedule, which ranges from a 2% to 5% increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. During the year ended June 30, 2023, the lessor forgave \$249,456 of prior lease liabilities, and the amount was included as revenue on the statement of activities.

TDF has a contingent liability under a standby letter of credit, in the amount of \$86,443, issued in lieu of a cash security deposit with respect to its office lease.

TDF has a lease for office equipment expiring in 2024. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

TDF has no material related-party leases.

TDF's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The lease cost and other required information for the year ended June 30, 2023 are:

Lease cost	
Operating lease cost	\$ 901,182
Variable lease cost	42,500
	<hr/>
Total lease cost	<u>\$ 943,682</u>
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 912,793
Weighted-average remaining lease term	
Operating lease liabilities	5.99 years
Weighted average discount rate	
Operating leases	2.89%

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Future minimum lease payments and reconciliation to the statements of financial position at June 30, 2023 are as follows:

	Operating Leases
2024	\$ 965,105
2025	985,636
2026	932,170
2027	938,084
2028	954,880
Thereafter	<u>852,777</u>
Total future undiscounted lease payments	5,628,652
Less imputed interest	<u>(466,271)</u>
Lease liabilities	<u>\$ 5,162,381</u>

Prior Year Disclosures Under Topic 840

Noncancellable operating leases for office and storage space expire in various years through 2031. These leases generally contain renewal options. Space for ticket centers operate under various leases and license agreements.

Future minimum lease payments at June 30, 2022 were:

2023	\$ 814,000
2024	865,000
2025	893,000
2026	909,000
2027	838,000
Thereafter	<u>1,808,000</u>
	<u>\$ 6,127,000</u>

Rent expense for the year ended June 30, 2022 was \$888,213.

Note 10: Revenue from Contracts with Customers

Ticket Sale Service and Handling Charges

Revenue for ticket sale service charges is reported at the amount that reflects the consideration to which TDF expects to be entitled. These amounts are due from individuals. Amounts are not refunded once performances begin.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Revenue is recognized as performance obligations are satisfied, which is at the time of the performance.

Costume Collection Rental Income

Revenue from contracts with customers for costume rentals is reported at the amount that reflects the consideration to which TDF expects to be entitled in exchange for providing costume rentals to organizations. These amounts include variable consideration for discounts based on organization type. Refunds are not provided.

Rentals are generally short-term and revenue is recognized as performance obligations are satisfied, which is ratably over the term of the rental.

Transaction Price and Recognition

TDF determines service and handling charges, along with costume collection rental rates, based on standard charges for goods and services provided, reduced by discounts provided in accordance with TDF's mission. TDF determines its estimate of implicit price concessions based on its historical collection experience with this class of customers. Payment for ticket sale service charges is due in advance, and payment for costume rentals are due at time of rental.

From time to time, TDF will receive overpayments of customer balances resulting in amounts owed back to either the customers or third parties. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2023 and 2022, TDF had \$302 and \$0, respectively, recorded as a liability for refunds.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. For the years ended June 30, 2023 and 2022, no additional revenue was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt expense.

TDF has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, individuals, organizations, and others) that have different payment methodologies
- TDF's line of business that provided the service

For the years ended June 30, 2023 and 2022, TDF recognized revenue of \$1,269,647 and \$906,812, respectively, from goods and services that transfer to the customer over time and \$7,822,146 and \$3,740,558, respectively, from goods and services that transfer to the customer at a point in time.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Contract Balances

The following table provides information about TDF's receivables and contract liabilities from contracts with customers:

	<u>2023</u>	<u>2022</u>
Accounts receivable, beginning of the year	\$ 103,017	\$ 96,818
Accounts receivable, end of the year	108,130	103,017
Contract liabilities, beginning of the year	174,032	53,239
Contract liabilities, end of the year	274,256	174,032

Gift card liabilities may also have components recognized as contract liabilities, however, this balance also includes amounts held as agent until redeemed by the customer.

Note 11: Pension and Other Postretirement Benefit Plans

Defined Contribution Plan

TDF has a defined contribution plan covering substantially all eligible employees. After one year of service, TDF matches an eligible employee's contribution up to 4.5% of the employee's compensation. Contribution expense was \$154,806 and \$141,284 for the years ended June 30, 2023 and 2022, respectively.

TDF also maintains a defined contribution plan for all non-union employees. The Board of Trustees annually determines the amount, if any, of TDF's contributions to the plan. Contribution expense was \$130,568 and \$116,641 for the years ended June 30, 2023 and 2022, respectively.

Defined Benefit Plan

The Organization has a noncontributory defined benefit pension plan covering substantially all employees who meet the eligibility requirements. TDF's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as TDF may determine to be appropriate from time to time. The Plan was amended to freeze all benefits effective June 30, 2009. TDF does not expect to contribute to the plan in 2024.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

The Organization uses a June 30 measurement date for the plan. Information about the plan's funded status follows:

	Pension Benefits	
	2023	2022
Benefit obligation	\$ (4,778,251)	\$ (5,069,148)
Fair value of plan assets	<u>4,304,376</u>	<u>4,263,050</u>
Funded status	<u>\$ (473,875)</u>	<u>\$ (806,098)</u>

Liabilities recognized in the statements of financial position:

	Pension Benefits	
	2023	2022
Pension plan liability	<u>\$ (473,875)</u>	<u>\$ (806,098)</u>

Amounts recognized in the change in net assets not yet recognized as components of net periodic benefit cost consist of:

	Pension Benefits	
	2023	2022
Net gain (loss)	\$ (328,273)	\$ (200,934)
Amortization of net gain (loss)	(39,209)	(60,775)
Amortization of prior service cost	<u>(1,655)</u>	<u>(1,655)</u>
	<u>\$ (369,137)</u>	<u>\$ (263,364)</u>

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	June 30	
	2023	2022
Accumulated benefit obligation	<u>\$ 4,778,251</u>	<u>\$ 5,069,148</u>
Fair value of plan assets	<u>\$ 4,304,376</u>	<u>\$ 4,263,050</u>

Other significant balances and costs are:

	Pension Benefits	
	2023	2022
Employer contributions	\$ 25,000	\$ 803
Participant contributions	-	-
Benefits paid	246,553	463,568
Net periodic benefit costs (credit)	61,914	(30,740)

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

The components of net periodic benefit cost (credit) other than the service cost component were \$61,914 and \$(30,740) for the years ended June 30, 2023 and 2022, respectively, and are included in line item payroll taxes and employee benefits on the statements of functional expenses.

Other changes in plan assets and benefit obligations recognized in change in net assets:

	Pension Benefits	
	2023	2022
Amounts arising during the period		
Net (gain) loss	\$ 21,050	\$ (93,170)
Net prior service cost (credit)	-	-
Amounts reclassified as components of net periodic benefit cost of the period		
Net gain (loss)	39,209	60,775
Net prior service cost (credit)	1,655	1,655

Significant gains and losses related to changes in the defined benefit obligation for the years ended June 30, 2023 and 2022 were due to changes in the discount rate.

Significant assumptions include:

	2023	2022
Weighted-average assumptions used to determine benefit obligations:		
Discount rate	4.50%	2.55%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine net periodic benefit costs:		
Discount rate	5.00%	2.55%
Expected return on plan assets	6.25%	5.50%
Rate of compensation increase	N/A	N/A

TDF has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations, and recent changes in long-term interest rates based on publicly available information.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

TDF's overall investment strategy is to achieve long-term growth with a wide diversification of asset types, fund strategies, and fund managers. The target asset allocation percentages for 2023 and 2022 are as follows:

	Pension Benefits	
	2023	2022
	<i>Not to Exceed</i>	
Equity securities	49%	49%
Debt securities	45%	45%
Real estate	6%	6%
	<u>100%</u>	<u>100%</u>

Equity securities primarily include investments in large-cap, midcap, and small-cap companies primarily located in the United States. Fixed-income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Other types of investments include investments in hedge funds and private equity funds that follow several different strategies.

Pension Plan Assets

The following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include equities and fixed income funds. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. Level 3 of the hierarchy includes real estate funds.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

The fair values of the TDF's pension plan assets at June 30, 2023 and 2022, by asset class, are as follows:

	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023				
Mutual funds				
Large-cap	\$ 1,553,385	\$ -	\$ 1,553,385	\$ -
Small/mid-cap	186,814	-	186,814	-
International	534,849	-	534,849	-
Fixed income	1,712,737	-	1,712,737	-
Real estate fund	316,591	-	-	316,591
Total	<u>\$ 4,304,376</u>	<u>\$ -</u>	<u>\$ 3,987,785</u>	<u>\$ 316,591</u>

	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Mutual funds				
Large-cap	\$ 1,197,559	\$ -	\$ 1,197,559	\$ -
Small/mid-cap	203,428	-	203,428	-
International	586,314	-	586,314	-
Fixed income	1,923,078	-	1,923,078	-
Real estate fund	352,671	-	-	352,671
Total	<u>\$ 4,263,050</u>	<u>\$ -</u>	<u>\$ 3,910,379</u>	<u>\$ 352,671</u>

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Transfers To and From Level 3

Transfers to and from Level 3 and the reasons for those transfers are as follows:

	<u>2023</u> Significant Unobservable Inputs (Level 3)	<u>2022</u> Significant Unobservable Inputs (Level 3)
Purchases	\$ 2,000	\$ 81,300
Sales	(38,079)	(54,164)
Transfers in and/or out of Level 3	<u>\$ (36,079)</u>	<u>\$ 27,136</u>

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2023 and 2022:

	Fair Value at 6/30/2023	Valuation Technique	Unobservable Inputs
Real estate fund	\$ 316,591	Assessed value	Real estate market records of underlying holdings

	Fair Value at 6/30/2022	Valuation Technique	Unobservable Inputs
Real estate fund	\$ 352,671	Assessed value	Real estate market records of underlying holdings

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2023:

2024	\$ 810,000
2025	530,000
2026	470,000
2027	310,000
2028	340,000
2029-2033	1,950,000

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Multiemployer Pension Plan

TDF contributes to a multiemployer defined benefit pension plan under the terms of a collective bargaining agreement that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If TDF chooses to stop participating in some of its multiemployer plans, TDF may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Organization's participation in these plans for the annual periods ended June 30, 2023 and 2022 is outlined in the table below.

- The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable.
- Unless otherwise noted, the most recent *Pension Protection Act* (PPA) zone status available in 2023 and 2022 is for the plan's year-end at August 30, 2022 and 2021, respectively.
- The zone status is based on information the Organization received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone generally are less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.
- The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) either is pending or has been implemented.
- The last column lists the expiration date of the collective bargaining agreement to which the plans are subject.

The number of employees covered by TDF's multiemployer plans increased from 2022 to 2023, affecting the period-to-period comparability of the contributions for years 2023 and 2022. The increase in covered employees corresponded to a moderate increase in overall business.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Imple- mented	Contributions of TDF			Surcharge Imposed	Expiration Date of Bargaining Agreement
		2023	2022		2023	2022	2021		
		Treasurers and Ticket Sellers Local 751 Pension Plan	13-6164776/001		Green as of 8/30/2022	Green as of 8/30/2021	N/A		

Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 1,825,643	\$ 3,001,742
Accounts receivable, net	127,408	159,473
Contributions receivable	1,009,970	494,644
Employee retention credit receivable	802,200	802,200
Investments	<u>7,734,074</u>	<u>4,825,805</u>
	11,499,295	9,283,864
Less amounts not available to be used:		
Amounts restricted by donors for specific purposes or periods	(1,092,878)	(822,055)
Plus amounts with restrictions expected to be met within one year	577,300	361,910
Amounts restricted by donors for endowment Board-designated funds	(298,000)	(298,000)
Plus amounts appropriated by the board for use within one year	<u>291,700</u>	<u>250,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,880,922</u>	<u>\$ 3,949,914</u>

The board-designated reserve of \$5,096,495 and \$4,825,805 as of June 30, 2023 and 2022, respectively, is subject to board appropriation. Although TDF does not intend to spend from this board-designated reserve (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Theatre Development Fund, Inc.

Notes to Financial Statements

June 30, 2023 and 2022

TDF 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 sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. TDF has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. TDF has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board to meet 60 to 120 days of expected expenditures. To achieve these targets, TDF forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves quarterly. During the years ended June 30, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grants and Contributions

Approximately 19% and 32% of all grants and contributions were received from two donors in 2023 and 2022, respectively.

Pension Benefit Obligations

TDF has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Investments

TDF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Note 14: Subsequent Events

Subsequent events have been evaluated through September 26, 2023, which is the date the financial statements were available to be issued.