

AMERICAN THEATRE WING, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
American Theatre Wing, Inc.

Opinion

We have audited the accompanying financial statements of American Theatre Wing, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 financial statements referred to above present fairly, in all material respects, the financial position of American Theatre Wing, Inc. as of December 31, 2021 and 2020, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Theatre Wing, 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.

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

Auditors' 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 auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted auditing standards, we:

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

Lotz + Carr, LLP

New York, New York
May 31, 2022

AMERICAN THEATRE WING, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents (Notes 1b and 4)	\$ 872,347	\$ 896,934	\$ 1,769,281	\$ 810,702	\$ 752,092	\$ 1,562,794
Accounts receivable	2,482	-	2,482	16,641	-	16,641
Unconditional promises to give (Notes 1e, 5 and 14)	287,205	125,707	412,912	114,500	550,000	664,500
Prepaid expenses and other current assets	140,597	-	140,597	140,150	-	140,150
Investment in TAP (Notes 1d and 6)	16,134	-	16,134	16,134	-	16,134
Investments (Notes 1c, 1d, 4, 7 and 8)	11,626,158	783,139	12,409,297	10,382,439	509,791	10,892,230
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 9)	108,400	-	108,400	132,297	-	132,297
Security deposit	68,311	-	68,311	68,311	-	68,311
Total Assets	\$13,121,634	\$ 1,805,780	\$14,927,414	\$11,681,174	\$ 1,811,883	\$13,493,057
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$ 403,599	\$ -	\$ 403,599	\$ 138,191	\$ -	\$ 138,191
Line of credit payable (Note 10)	496,786	-	496,786	-	-	-
Deferred rent (Notes 1h and 12c)	131,867	-	131,867	168,556	-	168,556
Total Liabilities	1,032,252	-	1,032,252	306,747	-	306,747
Commitments and Contingencies (Note 12)						
Net Assets						
Without Donor Restrictions						
Operating	966,530	-	966,530	997,528	-	997,528
Board-designated (Note 3a)	11,122,852	-	11,122,852	10,376,899	-	10,376,899
Total Without Donor Restrictions	12,089,382	-	12,089,382	11,374,427	-	11,374,427
With Donor Restrictions (Note 3b)	-	1,805,780	1,805,780	-	1,811,883	1,811,883
Total Net Assets	12,089,382	1,805,780	13,895,162	11,374,427	1,811,883	13,186,310
Total Liabilities and Net Assets	\$13,121,634	\$ 1,805,780	\$14,927,414	\$11,681,174	\$ 1,811,883	\$13,493,057

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021				2020			
	Without Donor Restrictions		With	Total	Without Donor Restrictions		With	Total
	Operating	Board-Designated	Donor Restrictions		Operating	Board-Designated	Donor Restrictions	
Changes in Net Assets								
Revenue and Support (Note 14)								
Government	\$ 230,000	\$ -	\$ -	\$ 230,000	\$ 260,002	\$ -	\$ -	\$ 260,002
Federal Paycheck Protection Program (Note 11)	167,990	-	-	167,990	-	-	-	-
Foundations	92,783	-	158,209	250,992	242,500	-	1,012,800	1,255,300
Corporations	127,091	-	160,000	287,091	89,023	-	54,954	143,977
Individuals	452,640	-	162,379	615,019	517,507	-	40,390	557,897
Endowment (Notes 3b and 8)	-	-	201,707	201,707	-	-	-	-
Fundraising benefit	628,750	-	-	628,750	696,525	-	-	696,525
Donated services and materials (Note 13)	-	-	-	-	10,750	-	-	10,750
Spending policy (Note 3a)	370,000	(370,000)	-	-	587,903	(587,903)	-	-
Net investment income (Note 7)	5	1,034,184	63,410	1,097,599	59	618,693	34,147	652,899
Program income (Note 1i)	-	-	-	-	10,779	-	-	10,779
Net book sales (Note 1i)	2,355	-	-	2,355	4,141	-	-	4,141
Other income	688	-	-	688	10,998	-	-	10,998
	<u>2,072,302</u>	<u>664,184</u>	<u>745,705</u>	<u>3,482,191</u>	<u>2,430,187</u>	<u>30,790</u>	<u>1,142,291</u>	<u>3,603,268</u>
Net assets released from restrictions								
Satisfaction of time and program restrictions	751,808	-	(751,808)	-	458,564	-	(458,564)	-
	<u>2,824,110</u>	<u>664,184</u>	<u>(6,103)</u>	<u>3,482,191</u>	<u>2,888,751</u>	<u>30,790</u>	<u>683,727</u>	<u>3,603,268</u>
Total Revenue and Support								
Expenses								
Program Services	2,012,366	-	-	2,012,366	2,177,782	-	-	2,177,782
Supporting Services								
Management and general	452,133	-	-	452,133	353,619	-	-	353,619
Fundraising	308,840	-	-	308,840	357,350	-	-	357,350
Total Supporting Services	<u>760,973</u>	<u>-</u>	<u>-</u>	<u>760,973</u>	<u>710,969</u>	<u>-</u>	<u>-</u>	<u>710,969</u>
Total Expenses	<u>2,773,339</u>	<u>-</u>	<u>-</u>	<u>2,773,339</u>	<u>2,888,751</u>	<u>-</u>	<u>-</u>	<u>2,888,751</u>
Increase (decrease) in net assets	50,771	664,184	(6,103)	708,852	-	30,790	683,727	714,517
Transfer (Note 3a)	(81,769)	81,769	-	-	(48,597)	48,597	-	-
Net assets, beginning of year	<u>997,528</u>	<u>10,376,899</u>	<u>1,811,883</u>	<u>13,186,310</u>	<u>1,046,125</u>	<u>10,297,512</u>	<u>1,128,156</u>	<u>12,471,793</u>
Net Assets, End of Year	<u>\$ 966,530</u>	<u>\$11,122,852</u>	<u>\$ 1,805,780</u>	<u>\$13,895,162</u>	<u>\$ 997,528</u>	<u>\$10,376,899</u>	<u>\$ 1,811,883</u>	<u>\$13,186,310</u>

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	2021				2020	
	Programs Services	Supporting Services			Total Expenses	Total Expenses
Management and General		Fundraising	Total			
Salaries	\$ 711,478	\$ 75,484	\$ 171,024	\$246,508	\$ 957,986	\$1,005,806
Employee benefits	146,424	15,529	35,197	50,726	197,150	171,773
Payroll taxes	46,732	4,958	11,233	16,191	62,923	70,468
Consultants and professional fees	55,524	249,290	20,651	269,941	325,465	269,709
Costs of special publication	2,005	-	-	-	2,005	3,645
Advertising, promotion and public relations	17,271	281	3,934	4,215	21,486	57,417
Grant expense	602,873	-	-	-	602,873	802,508
Honoraria	154,389	-	-	-	154,389	123,545
Office rent, utilities and storage expense	131,867	11,428	43,533	54,961	186,828	176,246
Computer equipment, repair and maintenance	3,746	765	1,092	1,857	5,603	9,277
Insurance	20,945	2,222	5,035	7,257	28,202	26,079
Office expenses	19,874	2,177	1,341	3,518	23,392	33,118
Equipment rental and maintenance	-	-	-	-	-	250
Meetings, travel and hospitality	10,844	20,638	4,078	24,716	35,560	12,695
Program production and event expense	61,859	37,130	3,780	40,910	102,769	75,417
Indirect benefit expenses	-	-	1,563	1,563	1,563	5,986
Donated services and materials	-	-	-	-	-	10,750
Bad debt expense	-	29,416	-	29,416	29,416	-
Other expenses	178	19	43	62	240	185
Total expenses before depreciation	1,986,009	449,337	302,504	751,841	2,737,850	2,854,874
Depreciation	26,357	2,796	6,336	9,132	35,489	33,877
Total Expenses, 2021	<u>\$2,012,366</u>	<u>\$ 452,133</u>	<u>\$ 308,840</u>	<u>\$760,973</u>	<u>\$2,773,339</u>	
Percentages to Total, 2021	<u>73%</u>	<u>16%</u>	<u>11%</u>	<u>27%</u>	<u>100%</u>	
Total Expenses, 2020	<u>\$2,177,782</u>	<u>\$ 353,619</u>	<u>\$ 357,350</u>	<u>\$710,969</u>		<u>\$2,888,751</u>
Percentages to Total, 2020	<u>75%</u>	<u>13%</u>	<u>12%</u>	<u>25%</u>		<u>100%</u>

* Contribution revenue for the year ended December 31, 2021 totaled \$2,381,549: for every dollar spent on fundraising, \$7.71 in contribution revenue was raised.

See notes to financial statements.

AMERICAN THEATRE WING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Programs Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ 724,304	\$ 70,277	\$ 211,225	\$281,502	\$1,005,806
Employee benefits	123,678	12,022	36,073	48,095	171,773
Payroll taxes	50,737	4,933	14,798	19,731	70,468
Consultants and professional fees	37,559	205,876	26,274	232,150	269,709
Costs of special publication	3,645	-	-	-	3,645
Advertising, promotion and public relations	55,421	498	1,498	1,996	57,417
Grant expense	802,508	-	-	-	802,508
Honoraria	123,545	-	-	-	123,545
Office rent, utilities and storage expense	131,067	11,295	33,884	45,179	176,246
Computer equipment, repair and maintenance	6,680	649	1,948	2,597	9,277
Insurance	18,778	1,824	5,477	7,301	26,079
Office expenses	31,573	381	1,164	1,545	33,118
Equipment rental and maintenance	250	-	-	-	250
Meetings, travel and hospitality	10,060	660	1,975	2,635	12,695
Program production and event expense	32,701	32,821	9,895	42,716	75,417
Indirect benefit expenses	-	-	5,986	5,986	5,986
Donated services and materials	750	10,000	-	10,000	10,750
Other expenses	135	11	39	50	185
Total expenses before depreciation	2,153,391	351,247	350,236	701,483	2,854,874
Depreciation	24,391	2,372	7,114	9,486	33,877
Total Expenses	<u>\$2,177,782</u>	<u>\$ 353,619</u>	<u>\$ 357,350</u>	<u>\$710,969</u>	<u>\$2,888,751</u>
Percentages to Total	<u>75%</u>	<u>13%</u>	<u>12%</u>	<u>25%</u>	<u>100%</u>

* Contribution revenue for the year ended December 31, 2020 totaled \$2,924,451: for every dollar spent on fundraising, \$8.18 in contribution revenue was raised.

See notes to financial statements.

AMERICAN THEATRE WING, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 708,852	\$ 714,517
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Bad debt expense	29,416	-
Depreciation	35,489	33,877
Realized gain on investments	(33,631)	(62,394)
Unrealized gain on investments	(650,816)	(407,476)
Endowment contributions	(201,707)	-
(Increase) decrease in:		
Accounts receivable	14,159	29,343
Unconditional promises to give	222,172	(597,880)
Prepaid expenses and other current assets	(447)	42,137
Increase (decrease) in:		
Accounts payable and accrued expenses	265,408	(106,410)
Deferred rent	(36,689)	(33,190)
Net Cash Provided (Used) By Operating Activities	<u>352,206</u>	<u>(387,476)</u>
Cash Flows From Investing Activities		
Distributions from TAP	-	251,245
Proceeds from sale of investments	657,138	1,136,000
Purchase of investments	(1,489,758)	(1,324,061)
Purchase of property and equipment	(11,592)	-
Net Cash Provided (Used) By Investing Activities	<u>(844,212)</u>	<u>63,184</u>
Cash Flows From Financing Activities		
Borrowings under line of credit	616,120	-
Repayments under line of credit	(119,334)	-
Endowment contributions received	201,707	-
Net Cash Provided By Financing Activities	<u>698,493</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	206,487	(324,292)
Cash and cash equivalents, beginning of year	<u>1,562,794</u>	<u>1,887,086</u>
Cash and Cash Equivalents, End of Year	<u><u>\$1,769,281</u></u>	<u><u>\$1,562,794</u></u>
Supplemental Disclosure and Cash Flow Information:		
Interest paid	<u>\$ 3,153</u>	<u>\$ -</u>

See notes to financial statements.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

American Theatre Wing, Inc. (the "Organization"), a New York State corporation, is engaged in the furtherance of excellence in the theatre arts through media initiatives promoting the understanding of how theatre is made, educational programs for aspiring and early career theatre professionals and granting awards for excellence in theatre.

The Organization is the founder of the Antoinette Perry Awards ("TONY Awards") for the distinguished achievement in Broadway theatre and is the registered owner of the service mark "TONY" Awards. The Organization is also the registered owner of the service mark "OBIE Awards" which recognizes excellence off and off off Broadway.

The coronavirus pandemic (COVID-19) had a significant financial impact on the Organization in 2021. The Tony Awards were held in September of 2021 in a much smaller venue. Due to the smaller venue and ongoing COVID-19 concerns, the Tony Awards did not produce a profit. The Gala (similar to 2020) was replaced with virtual Theater Artist Salons where the Organization arranged to have an artist attend a private Zoom meeting with donors (who made contributions of \$20,000 for the salon) and up to ten guests. The impact of the Tony Awards not producing a profit and the lack of an in-person Gala resulted in significantly lower income.

Management reduced the Organization's operating expenses to help offset the income reductions. In addition, the Board approved drawing additional funds from the Program Development Fund to balance the operating budget. The Organization had saved \$2.6 million of Program Development Funds over the past ten years through prudent fiscal management and the savings can be used to cover future financial shortfalls.

Other core programs and activities continued on online platforms, allowing the Organization to not only continue its programs, but to also significantly expand their reach both nationally and internationally.

The Organization received a Paycheck Protection Program loan of \$167,990 in March of 2021 to help cover personnel and rent expenses. Management continues to examine the potential impact that COVID-19 may have on its operations and may take further actions, if needed, to offset any future reductions in income.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments, purchased with a maturity of three months or less, such as money market funds and short-term deposits, to be cash equivalents, except for amounts being managed within the investment portfolio.

c - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Accounting principles generally accepted in the United States establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable.

A 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 classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Investments

The Organization reflects investments in marketable securities at fair value in the statement of financial position. Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same fiscal year in which the gains and other investment income are recognized.

The Organization's investment in Tony Awards Productions ("TAP") is shared equally under a joint venture agreement and is recorded at cost, as the investment is nontransferable and is not subject to current market valuation. Annually, the Organization reflects its joint venture share of the net income or loss (Note 6).

e - Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises to give. The determination of whether an allowance is necessary is based on prior years' experience and management's analysis of specific promises made.

Conditional promises to give that have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

f - Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$2,000. Lesser amounts are expensed. Furniture and equipment are being depreciated over the useful life of the related asset using the straight-line method and a monthly convention in the year of acquisition and disposition. Leasehold improvements are amortized using the straight-line method over the term of the respective lease.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

g - Grants

Grants are recorded as expenses in the period the Board approves and recipients accept the award, and are generally payable within one year.

h - Deferred Rent

Accounting principles generally accepted in the United States require the Organization to amortize the aggregate of the total minimum lease payments (net of expected shortfall provision payments) on the straight-line basis over the term of the lease. The difference between the straight-line expense and amounts paid in accordance with the terms of its leases is recorded as deferred rent in the statements of financial position.

i - Revenue Recognition

The Organization has revenue streams that are accounted for as exchange transactions, including program income and book sales. Program income is recognized at the point or over the period of time during which the program takes place. Revenue from book sales is presented net of returns and is recognized upon distribution to the customer. All of the Organization's revenue from contracts with customers is for a distinct performance obligation with a duration of less than one year and does not consist of multiple transactions.

j - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions may be perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

k - Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

l - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. Expenses that are allocated include salaries and employee benefits, which are allocated on the basis of estimates of employee time and effort. In addition, other expenses, including office rent, utilities, office supplies, technology related expenses, insurance and depreciation, are also allocated based on employee time and effort.

m - Tax Status

American Theatre Wing, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

The Organization reports its share of any income or loss from the joint venture operations as part of its activities (Note 6).

n - Subsequent Events

The Organization has evaluated subsequent events through May 31, 2022, the date that the financial statements are considered available to be issued.

o - New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*." The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of ASU 2016-02 on its 2022 financial statements.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of the annual revenue is generated through the Tony Awards and the annual gala in addition to contribution revenue raised during the fiscal year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities and also expenses related to general and administrative and fundraising activities which support the programs.

The Organization regularly monitors liquidity to meet operating needs and other commitments and obligations. Management prepares regular cash flow projections to determine liquidity needs and has an objective of maintaining liquid financial assets on an ongoing basis sufficient to cover 90 days of general expenses.

The Organization's financial assets as of December 31 available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 1,769,281	\$ 1,562,794
Accounts receivable	2,482	16,641
Unconditional promises to give	412,912	664,500
Investment in TAP	16,134	16,134
Investments	<u>12,409,297</u>	<u>10,892,230</u>
Total Financial Assets	14,610,106	13,152,299
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(1,592,377)	(1,811,883)
Plus: Net assets with restrictions to be met in less than a year	940,718	1,152,274
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(213,403)	-
Plus: Amounts appropriated for use within one year	15,000	-
Board designated net assets	(11,122,852)	(10,376,899)
Plus: Amounts appropriated for use within one year	<u>464,881</u>	<u>370,000</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 3,102,073</u>	<u>\$ 2,485,791</u>

In addition to these financial assets available within one year, the Organization maintains board designated net assets for specific purposes. However, the balance of these funds in excess of amounts already appropriated for use during one year could be made available at any time to meet cash needs for general expenditures at the discretion of the Board. The Organization also has a \$1.3 million line of credit as more fully described in Note 10, which can be used for unanticipated liquidity needs.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 3 - Restrictions and Designations on Net Assets

a - Net Assets Without Donor Restrictions - Board Designated Net Assets

Board Designated net assets consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Program Development Fund	\$ 7,878,770	\$ 7,535,992
Jonathan Larson Grant Fund	828,424	734,331
Andrew Lloyd Webber Initiative Fund	1,412,358	1,103,276
Cash reserve	1,000,000	1,000,000
Other reserves	<u>3,300</u>	<u>3,300</u>
	<u>\$11,122,852</u>	<u>\$10,376,899</u>

The Organization maintains the Program Development Fund to fund its program activities. The Organization's spending policy allows up to 5% of the 3-year rolling average value of the investment portfolio to be appropriated to operations annually. Amounts appropriated pursuant to this spending policy totaled \$370,000 in 2021. In addition, during the years ended December 31, 2021 and 2020, transfers were approved to add operating surpluses to the Program Development Fund.

During the year ended September 30, 2014, the Board approved a transfer to establish a Board Designated fund held for the same purpose as the donor-restricted Jonathan Larson Grant Fund described in Note 3b. These funds are invested together, and net investment earnings are allocated between the Board Designated and donor restricted portions. For the years ended December 31, 2021 and 2020, net investment income of \$94,093 (2021) and \$67,348 (2020) increased the balance of this Board Designated fund.

During the year ended September 30, 2018, the Board established a Board Designated fund to be held for the same purpose as the donor-restricted Andrew Lloyd Webber Initiative, to ensure its future stability and enhancement, with \$1,003,400 raised through a matching grant of \$500,000.

The cash reserve fund is held to be available for working capital as necessary.

In addition, a separate fund was established in fiscal year 2011 in memory of a long time board member, to be used towards specific programs at the discretion of the chairman of the Board. The balance of this fund as of December 31, 2021 and 2020 was \$3,300.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 3 - Restrictions and Designations on Net Assets (continued)

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Operating:		
Andrew Lloyd Webber Initiative	\$ 754,433	\$1,034,640
Jonathan Larson Grant Fund	469,737	509,791
Future programs and periods	<u>368,207</u>	<u>267,452</u>
	<u>1,592,377</u>	<u>1,811,883</u>
Endowment:		
Subject to appropriation for fellowships	11,696	-
Investment in perpetuity	<u>201,707</u>	<u>-</u>
Total Endowments	<u>213,403</u>	<u>-</u>
	<u>\$1,805,780</u>	<u>\$1,811,883</u>

The Jonathan Larson Grant Fund (the "Fund") was created by the Larson Foundation and certain of its officers (collectively, the "Foundation") to continue the Foundation's mission of annual grants to writers, composers, and lyricists in musical theater to improve or enhance the grantees' literary, artistic, musical or similar capacity, skill and talent. The minimum funding required to establish the Fund was \$750,000, and was fully funded during fiscal year 2012. The Fund is invested together with the Board Designated Jonathan Larson Grant Fund assets (Note 3a), and allocated net investment earnings are restricted to the purpose of the Fund.

For the years ended December 31, 2021 and 2020, new contributions to the Fund totaled \$1,685 (2021) and \$1,404 (2020), and net investment income of \$41,714 (2021) and \$34,147 (2020) increased the balance of the Fund. Expenses covered by the Fund totaled \$83,453 (2021) and \$50,000 (2020).

During 2021, the Organization received a \$201,707 contribution to establish an endowment for a career advancement fellowship.

Note 4 - Concentration of Credit Risk

The Organization maintains its cash and money market balances in various financial institutions. Certain balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 4 - Concentration of Credit Risk (continued)

Certain investment accounts are insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 per customer. The SIPC does not protect investors from market risk. Investment accounts are held with Morgan Stanley and are covered under an additional protection program. This coverage is subject to a firm wide cap of \$1 billion with no per-client limit for securities and a \$1.9 million per client limit for the cash portion of any remaining shortfall.

Note 5 - Unconditional Promises to Give

Unconditional promises to give at December 31 are due as follows:

	<u>2021</u>	<u>2020</u>
Due in one year	\$347,205	\$664,500
Due in one to five years	<u>70,000</u>	<u>-</u>
	417,205	664,500
Discount to present value	<u>(4,293)</u>	<u>-</u>
	<u>\$412,912</u>	<u>\$664,500</u>

Unconditional promises to give due after one year are discounted to net present value using a rate of 3%. Uncollectible promises to give are expected to be insignificant.

Note 6 - Investment in TAP

In 1986, the Organization entered into a joint venture agreement with The Broadway League, Inc. (the "League", a not-for-profit trade association) creating Tony Award Productions ("TAP") to administer, produce and present the American Theatre Wing TONY Awards (the "TONY Awards"). The joint venture agreement has been extended, and the term of the current extension is through 2026. The Organization and the League share income or losses from the joint venture.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 7 - Investments

Investments consist of the following as of December 31:

	2021			
	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money market funds and cash held for investment	\$ 947,963	\$ 947,963	\$ 947,963	\$ -
Investment cash in transit	307,000	307,000	307,000	-
Mutual funds				
Equities	6,148,732	6,839,872	6,839,872	-
Fixed income	536,237	505,298	505,298	-
Exchange traded funds and closed end funds				
Equities	1,211,785	2,538,818	2,538,818	-
Corporate bonds	<u>1,210,975</u>	<u>1,270,346</u>	<u>-</u>	<u>1,270,346</u>
	<u>\$10,362,692</u>	<u>\$12,409,297</u>	<u>\$11,138,951</u>	<u>\$1,270,346</u>
	2020			
	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money market funds and cash held for investment	\$1,397,022	\$ 1,397,022	\$1,397,022	\$ -
Mutual funds				
Equities	5,257,046	5,734,933	5,734,933	-
Fixed income	521,798	485,299	485,299	-
Exchange traded funds and closed end funds				
Equities	1,115,262	1,937,605	1,937,605	-
Corporate bonds	<u>1,205,313</u>	<u>1,337,371</u>	<u>-</u>	<u>1,337,371</u>
	<u>\$9,496,441</u>	<u>\$10,892,230</u>	<u>\$9,554,859</u>	<u>\$1,337,371</u>

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

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 475,911	\$228,850
Realized gains	33,631	62,394
Unrealized gains	650,816	407,476
Investment fees	<u>(62,759)</u>	<u>(45,821)</u>
Net Investment Income	<u>\$1,097,599</u>	<u>\$652,899</u>

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 8 - Endowment Funds

The Organization's endowment consists of the donor-restricted endowment fund described in Note 3b. Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Organization classifies as net assets for investment in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment with donor restrictions that is not for investment in perpetuity is classified as endowment subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Organization.

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

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Organization and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Organization.
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization; and
- (viii) the investment policy of the Organization

The Organization's invested endowment funds, all of which are donor-restricted as of December 31, 2021 are summarized as follows:

	<u>With Donor Restrictions</u>		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	<u>Total</u>
Donor-restricted endowment funds	<u>\$11,696</u>	<u>\$201,707</u>	<u>\$213,403</u>

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 8 - Endowment Funds (continued)

Changes in endowment funds for the year ended December 31, 2021 are summarized as follows:

	<u>With Donor Restrictions</u>		
	<u>Investment Income Above Original Gift Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$ -	\$ -	\$ -
Contributions received	-	201,707	201,707
Net investment income	21,696	-	21,696
Appropriations	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Endowment Funds, End of Year	<u>\$11,696</u>	<u>\$201,707</u>	<u>\$213,403</u>

The Organization is in the process of formulating an investment policy for the endowment.

Note 9 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Leasehold improvements	Life of lease	\$341,743	\$341,743
Website	3 years	145,000	145,000
Furniture and fixtures	5 years	92,303	92,303
Software and computers	3 years	<u>73,515</u>	<u>61,923</u>
		652,561	640,969
Less: Accumulated depreciation		<u>(544,161)</u>	<u>(508,672)</u>
		<u>\$108,400</u>	<u>\$132,297</u>

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 10 - Line of Credit

The Organization has a \$1.3 million line of credit from Morgan Stanley, collateralized by a portion of its investment portfolio. Borrowings bear interest at a variable rate, 2.08% as of December 31, 2021. Borrowings outstanding at December 31, 2021 were \$496,786, including accrued interest of \$1,079. There were no borrowings outstanding at December 31, 2020. Interest expense totaled \$4,232 in 2021.

Note 11 - Paycheck Protection Program

During 2021, the Organization received a loan totaling \$167,990 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 1% per annum and may be forgiven if the Organization meets certain employee retention requirements and the funds are used for eligible expenses. Because management believes that it has met the requirements for forgiveness of the entire loan amount, it has recorded the loan as a conditional grant. Through December 31, 2021, eligible expenses totaling \$167,990 have been paid with the proceeds of the loan. The loan was subsequently forgiven in March 2022.

Note 12 - Commitments and Contingencies

- a - As stated in Note 6, the Organization is a member of TAP, a joint venture for which it is jointly and severally liable. Certain obligations of TAP in any given year are subject to the existence of a contract with a television network for the broadcast of the TONY Awards for such year. The current television network agreement expires after the 2026 production of the TONY Awards. The television network has first negotiation and first refusal rights with respect to additional productions beyond 2026. The 2020 TONY Awards Production was rescheduled to September 2021.
- b - In July 2014, the Organization entered into an agreement with the Village Voice (the "Voice") for the Organization to be responsible for planning, operating, and otherwise managing the annual Obie Awards (beginning with the 2015 Obie Awards). The agreement currently expires in 2025 with the option to extend for an additional ten years.

Any surplus funds from the management of the Obie Awards are to be re-invested by the Organization into the Obie Awards and related activities, except for an administrative fee that is to be paid to the Organization for its management of each year's Obie Awards.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 12 - Commitments and Contingencies (continued)

- c - The Organization leases office space under a non-cancelable operating lease which expires on December 31, 2024. The lease agreement provides for annual flat rent escalations, as well as proportionate share of real estate taxes, maintenance on common areas, utilities and any other costs commonly passed through to tenants. Additionally, under the terms of the agreement, the landlord reimbursed \$206,780 of leasehold improvement costs incurred by the Organization which is recorded as deferred rent in the statements of financial position and is being amortized on the straight-line basis over the term of the lease. The lease provides for approximate future minimum annual rental payments as follows:

<u>Year Ending December 31,</u>	
2022	\$172,193
2023	175,852
2024	179,592

Rent expense for the years ended December 31, 2021 and 2020 was \$131,925 and \$134,787, respectively.

- d - The Organization is obligated under an agreement with an officer which provides for compensation of approximately \$370,000 for the year ending December 31, 2022.
- e - The Organization has entered into a financial services agreement which extends through December 31, 2022. The future payments under this agreement are approximately \$101,228 for the year ending December 31, 2022.

Note 13 - Donated Services and Materials

The Organization receives donated services and materials in support of its programs and operations. The fair market value has been recorded in the accompanying financial statements. There were no donated services and materials for the year ended December 31, 2021. Donated services and materials consisted of professional services in the amount of \$10,750 for the year ended December 31, 2020.

AMERICAN THEATRE WING, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 14 - Concentrations

During the year ended December 31, 2020, a foundation contribution in the amount of \$1,000,000 represented approximately 38% of total contributions.

Approximately 75% of unconditional promises to give as of December 31, 2020 were from the same foundation.

Note 15 - Employee Benefit Plan

The Organization has a 403(b) retirement plan, which is not eligible for employer contributions. Employees may contribute through payroll deduction up to the annual limits as prescribed by law.