

THEATRE COMMUNICATIONS GROUP, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Theatre Communications Group, Inc.

We have audited the accompanying financial statements of Theatre Communications Group, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Theatre Communications Group, Inc. as of June 30, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
December 10, 2020

THEATRE COMMUNICATIONS GROUP, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents (Notes 1c and 10)	\$2,050,766	\$ 765,569
Contributions receivable (Notes 1d and 4)	679,454	691,538
Accounts receivable (Note 1f)	446,073	391,237
Prepaid expenses	82,322	113,299
Inventory (Note 1g)	757,390	786,203
Investments (Notes 1e and 6)	2,855,381	4,940,621
Website development and software, at cost, net of accumulated depreciation (Note 1i)	538,389	599,203
Property and equipment, at cost, net of accumulated depreciation (Notes 1h and 7)	<u>48,246</u>	<u>17,517</u>
Total Assets	<u><u>\$7,458,021</u></u>	<u><u>\$8,305,187</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 782,195	\$ 489,490
Loans payable (Note 8)	1,606,282	-
Deferred subscriptions and membership fees (Note 1j)	484,752	1,629,817
Deferred rent (Note 1k)	<u>104,833</u>	<u>127,959</u>
Total Liabilities	<u>2,978,062</u>	<u>2,247,266</u>
Commitments and Contingency (Notes 9, 11 and 12)		
Net Assets (Note 3)		
Without donor restrictions	800,213	912,463
With donor restrictions	<u>3,679,746</u>	<u>5,145,458</u>
Total Net Assets	<u>4,479,959</u>	<u>6,057,921</u>
Total Liabilities and Net Assets	<u><u>\$7,458,021</u></u>	<u><u>\$8,305,187</u></u>

See notes to financial statements.

THEATRE COMMUNICATIONS GROUP, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Revenue and Public Support						
Contributions (Note 10)						
Government	\$ 50,000	\$ 105,560	\$ 155,560	\$ 75,000	\$ 272,057	\$ 347,057
Foundation	510,999	924,505	1,435,504	186,000	1,171,709	1,357,709
Corporation	149,830	-	149,830	130,495	33,000	163,495
Individual	381,379	-	381,379	337,275	50,000	387,275
Gross benefit event income	210,995	-	210,995	255,396	-	255,396
Less: Direct benefit event expense	(52,005)	-	(52,005)	(53,235)	-	(53,235)
In-kind donation	1,150	-	1,150	-	-	-
Conferences	131,958	-	131,958	413,080	-	413,080
Book sales	1,532,059	-	1,532,059	1,643,035	-	1,643,035
Periodical sales	724,716	-	724,716	915,162	-	915,162
Individual membership	296,742	-	296,742	326,252	-	326,252
Affiliates' membership	126,696	-	126,696	128,388	-	128,388
Theatre membership	1,763,820	-	1,763,820	1,777,618	-	1,777,618
Net investment income (loss) (Note 6)	7,023	(10,918)	(3,895)	6,691	291,968	298,659
Other income	28,787	-	28,787	24,924	-	24,924
Transfer from program reserve fund to operations (Note 3a)	125,000	-	125,000	-	-	-
	<u>5,989,149</u>	<u>1,019,147</u>	<u>7,008,296</u>	<u>6,166,081</u>	<u>1,818,734</u>	<u>7,984,815</u>
Appropriation of endowment funds pursuant to spending policy	124,375	(124,375)	-	125,306	(125,306)	-
Net assets released from restrictions						
Satisfaction of time and program restrictions	<u>2,360,484</u>	<u>(2,360,484)</u>	<u>-</u>	<u>2,262,648</u>	<u>(2,262,648)</u>	<u>-</u>
Total Revenue and Public Support	<u>8,474,008</u>	<u>(1,465,712)</u>	<u>7,008,296</u>	<u>8,554,035</u>	<u>(569,220)</u>	<u>7,984,815</u>
Expenses						
Program Services	<u>7,323,083</u>	<u>-</u>	<u>7,323,083</u>	<u>7,352,271</u>	<u>-</u>	<u>7,352,271</u>
Supporting Services						
Management and general	513,755	-	513,755	509,560	-	509,560
Fundraising	571,798	-	571,798	567,804	-	567,804
Total Supporting Services	<u>1,085,553</u>	<u>-</u>	<u>1,085,553</u>	<u>1,077,364</u>	<u>-</u>	<u>1,077,364</u>
Total Expenses Before Depreciation	<u>8,408,636</u>	<u>-</u>	<u>8,408,636</u>	<u>8,429,635</u>	<u>-</u>	<u>8,429,635</u>
Increase (Decrease) in Net Assets from Operations Before Depreciation (carried forward)	<u>65,372</u>	<u>(1,465,712)</u>	<u>(1,400,340)</u>	<u>124,400</u>	<u>(569,220)</u>	<u>(444,820)</u>

See notes to financial statements.

THEATRE COMMUNICATIONS GROUP, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Increase (Decrease) in Net Assets from Operations Before Depreciation (brought forward)	\$ 65,372	\$(1,465,712)	\$(1,400,340)	\$ 124,400	\$ (569,220)	\$ (444,820)
Depreciation expense	97,757	-	97,757	87,383	-	87,383
Increase (Decrease) in Net Assets from Operations	(32,385)	(1,465,712)	(1,498,097)	37,017	(569,220)	(532,203)
Program reserve activity						
Net investment income (Note 6)	45,135	-	45,135	51,166	-	51,166
Net assets released from restriction	45,000	(45,000)	-	-	-	-
Transfer from program reserve fund to operations (Note 3a)	(125,000)	-	(125,000)	-	-	-
Increase (decrease) in net assets	(67,250)	(1,510,712)	(1,577,962)	88,183	(569,220)	(481,037)
Net assets, beginning of year	912,463	5,145,458	6,057,921	824,280	5,714,678	6,538,958
Net Assets, End of Year	\$ 845,213	\$ 3,634,746	\$ 4,479,959	\$ 912,463	\$ 5,145,458	\$6,057,921

See notes to financial statements.

THEATRE COMMUNICATIONS GROUP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services			Supporting Services			Total Expenses	
	Member Services	Artistic Programs	Publications	Total	Management and General	Fundraising		Total
Salaries, payroll taxes and employee benefits	\$ 544,971	\$1,375,400	\$ 1,242,402	\$3,162,773	\$ 384,085	\$ 426,761	\$ 810,846	\$3,973,619
Awards and fellowships	22,757	1,050,880	51,879	1,125,516	-	-	-	1,125,516
Writer fees and royalties	65,202	164,557	148,645	378,404	-	-	-	378,404
Book seller fees	58,839	148,498	134,139	341,476	-	-	-	341,476
Occupancy	83,306	211,428	189,918	484,652	58,713	65,236	123,949	608,601
Consultant fees	63,725	195,635	145,279	404,639	10,602	11,070	21,672	426,311
Insurance	5,751	14,514	13,111	33,376	4,053	4,504	8,557	41,933
Repairs, maintenance and supplies	40,135	101,418	91,498	233,051	26,002	31,429	57,431	290,482
Administrative expenses	21,296	53,746	48,549	123,591	11,665	12,961	24,626	148,217
Travel, meeting expenses and per diems	46,034	158,824	104,947	309,805	-	-	-	309,805
Service and registration fees	31,679	88,889	72,221	192,789	-	-	-	192,789
Printing, typesetting and design fees	75,729	191,146	172,643	439,518	7,821	7,821	15,642	455,160
Postage and delivery	15,344	38,922	34,981	89,247	10,814	12,016	22,830	112,077
Advertising	732	1,846	1,668	4,246	-	-	-	4,246
Total expenses before depreciation	1,075,500	3,795,703	2,451,880	7,323,083	513,755	571,798	1,085,553	8,408,636
Depreciation and amortization	13,407	33,837	30,565	77,809	9,449	10,499	19,948	97,757
Total Expenses	<u>\$1,088,907</u>	<u>\$3,829,540</u>	<u>\$ 2,482,445</u>	<u>\$7,400,892</u>	<u>\$ 523,204</u>	<u>\$ 582,297</u>	<u>\$1,105,501</u>	<u>\$8,506,393</u>

See notes to financial statements.

THEATRE COMMUNICATIONS GROUP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services			Total Expenses
	Member Services	Artistic Programs	Publications	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and employee benefits	\$ 494,995	\$1,284,519	\$ 1,227,463	\$3,006,977	\$ 365,165	\$ 405,739	\$ 770,904	\$3,777,881
Awards and fellowships	29,790	392,738	73,872	496,400	-	-	-	496,400
Writer fees and royalties	64,186	166,565	159,166	389,917	-	-	-	389,917
Book seller fees	56,810	147,423	123,861	328,094	-	-	-	328,094
Occupancy	79,112	207,709	196,177	482,998	58,362	64,847	123,209	606,207
Consultant fees	73,995	295,056	183,488	552,539	12,864	13,333	26,197	578,736
Insurance	5,292	13,734	13,124	32,150	3,904	4,338	8,242	40,392
Repairs, maintenance and supplies	36,990	100,898	91,726	229,614	27,288	33,978	61,266	290,880
Administrative expenses	27,867	77,314	69,102	174,283	17,030	18,922	35,952	210,235
Travel, meeting expenses and per diems	102,735	505,840	254,758	863,333	2,319	2,319	4,638	867,971
Service and registration fees	36,689	120,093	90,979	247,761	-	-	-	247,761
Printing, typesetting and design fees	68,070	176,772	168,798	413,640	7,323	7,323	14,646	428,286
Postage and delivery	20,746	55,689	51,444	127,879	15,305	17,005	32,310	160,189
Advertising	1,101	2,856	2,729	6,686	-	-	-	6,686
Total expenses before depreciation	1,098,378	3,547,206	2,706,687	7,352,271	509,560	567,804	1,077,364	8,429,635
Depreciation and amortization	11,449	29,711	28,391	69,551	8,447	9,385	17,832	87,383
Total Expenses	<u>\$1,109,827</u>	<u>\$3,576,917</u>	<u>\$ 2,735,078</u>	<u>\$7,421,822</u>	<u>\$ 518,007</u>	<u>\$ 577,189</u>	<u>\$1,095,196</u>	<u>\$8,517,018</u>

See notes to financial statements.

THEATRE COMMUNICATIONS GROUP, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$(1,577,962)	\$ (481,037)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation and amortization	97,757	87,383
Realized gain on investments	(136,062)	(113,967)
Unrealized (gain) loss on investments	162,255	(133,284)
Decrease in:		
Contributions receivable	12,084	52,541
Accounts receivable	(54,836)	6,105
Prepaid expenses	30,977	30,094
Inventory	28,813	39,398
Decrease in:		
Accounts payable and accrued expenses	292,705	(408,531)
Deferred subscriptions and membership fees	(1,145,065)	(90,589)
Deferred rent	(23,126)	(11,331)
Net Cash Used By Operating Activities	<u>(2,312,460)</u>	<u>(1,023,218)</u>
 Cash Flows From Investing Activities		
Purchase of property and equipment	(67,672)	(13,191)
Purchase of investments	(587,124)	(282,868)
Proceeds from sale of investments	2,646,171	1,636,637
Net Cash Provided By Investing Activities	<u>1,991,375</u>	<u>1,340,578</u>
 Cash Flows From Financing Activities		
Proceeds from loan	1,606,282	-
Proceeds from borrowings on line of credit	900,000	650,000
Repayments on line of credit	(900,000)	(650,000)
Net Cash Provided By Financing Activities	<u>1,606,282</u>	<u>-</u>
Net increase in cash and cash equivalents	1,285,197	317,360
Cash and cash equivalents, beginning of year	<u>765,569</u>	<u>448,208</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$ 2,050,766</u></u>	 <u><u>\$ 765,568</u></u>
 Supplemental Disclosure		
Interest paid	<u><u>\$ 5,623</u></u>	<u><u>\$ 10,725</u></u>

See notes to financial statements.

THEATRE COMMUNICATIONS GROUP, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Theatre Communications Group, Inc. ("TCG" or the "Organization"), the national organization for the American theatre, was organized in 1961. Its mission is to strengthen, nurture and promote the professional not-for-profit American theatre. Through a wide array of programs, publications and services, TCG seeks to increase the organizational efficiency of its member theatres, cultivate and celebrate the artistic talent and achievements of the field, and promote greater public understanding of and appreciation for the theatre field. TCG's primary sources of revenues are support from contributions, book and periodical sales and subscriptions, and membership fees.

b - Financial Statement Presentation

The financial statements of TCG have been prepared in accordance with U.S. generally accepted accounting principles, 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 TCG. These net assets may be used at the discretion of TCG's management and Board of Directors.

Net Assets With Donor Restrictions

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

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, TCG considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for those held as part of its investment portfolio.

d - Contributions Receivable and Contributions

Contributions are recognized when the donor makes a promise to give to TCG, that is, in substance, unconditional. Conditional promises to give - that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future - are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued)**d - Contributions Receivable and Contributions (continued)**

TCG uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

e - Investments and Fair Value Measurements

TCG reflects investments 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.

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. Generally accepted accounting principles 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 TCG. Unobservable inputs reflect TCG'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 TCG 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.

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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

TCG provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Receivables are charged to bad debt expense when they are deemed to be uncollectible based upon a periodic review of the accounts by management. Interest is not accrued or recorded on outstanding receivables.

g - Inventory

Inventory consists of books and is stated at the lower of cost or net realizable value, cost being determined on a first-in, first-out basis.

h - Property and Equipment

Property and equipment are recorded at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

i - Website Development

TCG developed its website and customer service database to better service its customer base. Costs of developing the software are capitalized and amortized over its useful life of ten years.

As of June 30, 2020 and 2019, accumulated amortization is \$281,748 and \$199,734, respectively.

j - Deferred Revenue

Revenue is deferred when received and recognized in the period that it is earned. Membership revenue is deferred when received and recognized in the fiscal year to which the membership relates. Subscription revenues are recognized on a straight-line basis over the term of the subscription period. Book and periodical sales are recognized at the time of the sale.

k - Deferred Rent

The aggregate of the total minimum lease payments is amortized 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 lease is recorded as deferred rent.

l - Estimates

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

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1 - Organization and Summary of Significant Accounting Policies (continued)**m - Functional Allocation of Expenses**

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services in reasonable ratios determined by management. A substantial portion of TCG's expenses are directly related to program activities. The expenses that are allocated include salaries and employee benefits, depreciation and amortization, occupancy and office expenses, all of which are allocated on the basis of an estimate of personnel time and effort.

n - Tax Status

TCG is a not-for-profit organization 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.

o - Subsequent Events

TCG has evaluated subsequent events through December 10, 2020, the date that the financial statements are considered available to be issued.

p - Recent Accounting Pronouncements

For 2019, TCG has adopted Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The ASU clarifies and improves the current guidance about whether a transfer of assets is a contribution or exchange transaction. In addition, the ASU requires that an entity determine whether an agreement includes a measurable performance-related barrier that must be overcome and either a right of return of assets transferred or a release of a promisor's obligation to transfer assets. Analysis of the provisions of the ASU resulted in no significant changes in the way the TCG recognizes revenue.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires organizations to recognize revenue when performance obligations within a contract are satisfied. ASU 2014-09 is effective for fiscal years beginning after December 15, 2019. TCG is currently evaluating the impact of this standard on its financial statements.

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. TCG is currently evaluating the impact of ASU 2016-02 on its financial statements.

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 2 - Information Regarding Liquidity and Availability

TCG operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. Annual revenue is comprised of a mix of contribution revenue earned during the current year, as well as program and membership revenue earned during the current year. TCG considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

Management monitors cash flow projections to determine liquidity needs and to ensure the ability to meet cash requirements.

TCG's financial net assets as of June 30, 2020 and 2019 available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$2,050,766	\$ 765,569
Contributions receivable	679,454	691,538
Accounts receivable	446,073	391,237
Investments	<u>2,855,381</u>	<u>4,940,621</u>
Total Financial Assets	6,031,674	6,788,965
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	(1,706,597)	(3,068,706)
Plus: Net assets with donor restrictions expected to be met in less than one year	904,381	1,726,297
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(1,928,149)	(2,076,752)
Plus: Amounts appropriated for use in one year	140,000	124,375
Net assets without donor restrictions - Program Reserve Fund	(675,195)	(710,060)
Plus: Amounts appropriated for use in one year	<u>125,000</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$2,891,114</u>	<u>\$2,784,119</u>

In addition to these financial assets available within one year, TCG maintains a board designated Program Reserve Fund with a balance of \$675,195 and \$710,060 as of June 30, 2020 and 2019, respectively. These amounts could be made available at any time to meet cash needs for general expenditures at the discretion of the Board of Directors. TCG also has a \$1,000,000 line of credit with JPMorgan Chase Bank.

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 3 - Net Assetsa - Net Assets Without Donor Restrictions

Net assets without donor restrictions as of June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Program reserve fund	\$675,195	\$710,060
Other	<u>170,018</u>	<u>202,403</u>
	<u>\$845,213</u>	<u>\$912,463</u>

Program Reserve Fund

The Board of Directors established this fund in 1979 with surpluses from operations. Up to \$250,000 may be borrowed for use in operations to meet short-term cash flow needs. The Board may also approve other expenditures out of this fund for special projects or other extraordinary needs.

b - Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Audience Revolution	\$ -	\$1,215,781
Equity, Diversity, and Inclusion Initiative	287,077	668,480
Willa Kim Costume Design Scholarships	465,742	475,000
Fox Resident Actor Fellowships	470,324	334,755
Communications and Publicity	100,000	90,000
Fund for the American Theatre	16,179	16,179
Alan Scheider Fund	4,159	14,155
TCG Book Sponsorship	15,000	-
Rising Leaders of Color	-	25,000
National Conference	-	15,000
Global Connections	-	68,727
Blue Star Theatres	-	10,000
Veterans Theatre Institute	-	3,103
	<u>1,358,481</u>	<u>2,936,180</u>
Subject to passage of time:		
Future periods after June 30	<u>348,116</u>	<u>132,526</u>
Endowments subject to spending policy and appropriation:		
Investment income above original gift amount:		
General operations	777,113	925,716
Investment in perpetuity:		
General operations	<u>1,151,036</u>	<u>1,151,036</u>
Total Endowments	<u>1,928,149</u>	<u>2,076,752</u>
Total Net Assets With Donor Restrictions	<u>\$3,634,746</u>	<u>\$5,145,458</u>

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 3 - Net Assets (continued)b - Net Assets With Donor Restrictions (continued)

TCG's major programs are as follows:

Audience Revolution

This program is a multi-year program designed by TCG and funded by the Doris Duke Charitable Foundation to study, promote, and support audience engagement models across the country. Now in round three, this program focuses on audience engagement and community development strategies as they relate to theatre for young and multigenerational audiences. The program includes three components unfolding over three years: a national learning convenings; grant-making; and fieldwide dissemination of audience engagement strategies and models that work.

Equity, Diversity and Inclusion Institute

This program is a multi-year initiative to transform the national theatre field into a more equitable, inclusive, and diverse community. While these efforts are currently focused on racial and cultural diversity, TCG takes an intersectional approach to identity and equity that infuses all of our programming. A significant focus of the EDI program is a series of national cohorts which are funded by the Andrew W. Mellon Foundation, along with additional regional partners including the Hearst Foundation.

Willa Kim Costume Design Scholarships

This program provides exceptionally talented costume designers who are enrolled in a university professional training program with the opportunity to supplement their fine arts training in drawing and painting.

Fox Resident Actor Fellowship

This program was designed by TCG and is funded by the Fox Foundation. The fellowship is for actors that support their artistic and professional growth in collaboration with a TCG Member theatre.

Global Connections

This program was designed by TCG and is funded by The Andrew W, Mellon Foundation. It is made up of two initiatives: On the Road fosters new relationships with international colleagues that will inspire each other's work and aesthetics by creating opportunities for cultural exchange; and In the Lab furthers pre-existing international collaborations by supporting residencies that either advance the development of a piece or explore elements leading up to a full production. To date, many U.S.-based theatre organizations and individual artists have made substantial strides in learning and developing projects with colleagues abroad.

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 3 - Net Assets (continued)b - Net Assets With Donor Restrictions (continued)

TCG's endowment fund was established in 1992 with a \$1,000,000 grant from the Ford Foundation. Other endowment contributions totaling \$151,036 were received in subsequent years. The principal is restricted, but investment income may be used to further the goals of TCG. The Board of Directors has approved a target spending rate between 4% and 6% as a percentage of a rolling twelve-quarter average of the Endowment. This spending rate will be revisited each year, according to the factors outlined in NYPMIFA.

Note 4 - Contributions Receivable

Contributions receivable at June 30 are due as follows:

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due within one year	\$134,591	\$504,500	\$639,091
Due in one to three years	-	44,500	44,500
	<u>134,591</u>	<u>549,000</u>	<u>683,591</u>
Less: Discount to present value	<u>-</u>	<u>(4,137)</u>	<u>(4,137)</u>
	<u>\$134,591</u>	<u>\$544,863</u>	<u>\$679,454</u>
	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due within one year	\$188,993	\$350,747	\$539,740
Due in one to three years	-	169,000	169,000
	<u>188,993</u>	<u>519,747</u>	<u>708,740</u>
Less: Discount to present value	<u>-</u>	<u>(17,202)</u>	<u>(17,202)</u>
	<u>\$188,993</u>	<u>\$502,545</u>	<u>\$691,538</u>

Contributions receivable which are due after one year are discounted to net present value using a discount rate of 3% per annum. Uncollectible contributions receivable are expected to be insignificant.

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 5 - Endowment Funds

TCG's endowment consists of the donor-restricted fund described in Note 3. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, 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), TCG classifies as net assets with donor restrictions 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 funds. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions for investment in perpetuity is classified as net assets subject to spending policy and appropriation until those amounts are appropriated for expenditure by TCG.

In accordance with NYPMIFA, TCG is required to consider 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 TCG 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 TCG;
- (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 TCG, and
- (viii) the investment policy of TCG

As of June 30, the composition of TCG's endowment funds, by type of fund and net asset classifications, is summarized as follows:

	<u>Net Assets With Donor Restrictions</u>		
	<u>Accumulated Investment Income</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment fund, 2020	<u>\$777,113</u>	<u>\$1,151,036</u>	<u>\$1,928,149</u>
Donor-restricted endowment fund, 2019	<u>\$925,716</u>	<u>\$1,151,036</u>	<u>\$2,076,752</u>

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 5 - Endowment Funds (continued)

Changes in TCG's endowment funds for the year ended June 30 are summarized as follows:

	2020		
	Net Assets With Donor Restrictions		
	Accumulated Investment Income	Investment in Perpetuity	Total
Endowment net assets, June 30, 2019	\$925,716	\$1,151,036	\$2,076,752
Net investment loss	(24,228)	-	(24,228)
Appropriation of endowment assets for expenditure	<u>(124,375)</u>	<u>-</u>	<u>(124,375)</u>
Endowment Net Assets, June 30, 2020	<u>\$777,113</u>	<u>\$1,151,036</u>	<u>\$1,928,149</u>
	2019		
	Net Assets With Donor Restrictions		
	Accumulated Investment Income	Investment in Perpetuity	Total
Endowment net assets, June 30, 2018	\$889,305	\$1,151,036	\$2,040,341
Net investment income	161,717	-	161,717
Appropriation of endowment assets for expenditure	<u>(125,306)</u>	<u>-</u>	<u>(125,306)</u>
Endowment Net Assets, June 30, 2019	<u>\$925,716</u>	<u>\$1,151,036</u>	<u>\$2,076,752</u>

The Organization has adopted investment and spending policies for endowment assets to support its mission over the long term. It is intended that the fund grow through additional fundraising and through reinvestment of earnings not taken out for operations.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 5 - Endowment Funds (continued)

The Organization has a policy (the spending policy) of appropriating for expenditure between 4% and 6%, as a percentage of a rolling twelve-quarter average of the Endowment. This spending rate will be revisited each year, according to the factors outlined in NYPMIFA. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

Note 6 - Investments

Investments consist of the following at June 30:

	<u>Cost</u>	<u>2020</u>			
		<u>Total</u>	<u>Fair Value</u>		
			<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money balances	\$ 52,986	\$ 52,986	\$ 52,986	\$ -	\$ -
Money market funds	376,131	376,131	376,131	-	-
Equities:					
Common stock	767,171	892,555	892,555	-	-
Mutual funds	141,745	113,071	198,483	-	-
Fixed Income:					
Closed end and exchange traded funds	351,907	356,817	-	356,817	-
Corporate bonds and notes	698,425	726,777	-	726,777	-
Asset - backed	38,142	30,982	-	30,982	-
Mutual funds - other	<u>330,577</u>	<u>306,062</u>	<u>220,651</u>	<u>-</u>	<u>-</u>
	<u>\$2,757,084</u>	<u>\$2,855,381</u>	<u>\$1,740,806</u>	<u>\$1,114,576</u>	<u>\$ -</u>

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 6 - Investments (continued)

	2019				
	Cost	Fair Value			
		Total	Level 1	Level 2	Level 3
Cash and money balances	\$ 59,764	\$ 59,764	\$ 59,764	\$ -	\$ -
Money market funds	2,145,871	2,145,871	2,145,871	-	-
Equities:					
Common stock	712,900	945,112	945,112	-	-
Mutual funds	240,863	255,531	255,531	-	-
Fixed Income:					
Closed end and exchange traded funds	452,454	459,957	-	459,957	-
Corporate bonds and notes	677,086	670,291	-	670,291	-
Asset - backed	40,781	40,685	-	40,685	-
Mutual funds - other	<u>350,350</u>	<u>363,410</u>	<u>363,410</u>	<u>-</u>	<u>-</u>
	<u>\$4,680,069</u>	<u>\$4,940,621</u>	<u>\$3,769,688</u>	<u>\$1,170,933</u>	<u>\$ -</u>

Investment income consists of the following for the years ending June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 88,026	\$145,682
Net realized gains	136,062	113,967
Net unrealized gains (losses)	(162,255)	133,284
Management fees	<u>(20,593)</u>	<u>(43,108)</u>
Net Investment Income	<u>\$ 41,240</u>	<u>\$349,825</u>

Note 7 - Property and Equipment

Property and equipment consists of the following as of June 30:

	<u>Life</u>	<u>2020</u>	<u>2019</u>
Furniture and equipment	5 years	\$ 81,589	\$ 35,117
Leasehold improvements	6-10 years	<u>330,726</u>	<u>330,726</u>
		412,315	365,843
Less: Accumulated depreciation		<u>(364,069)</u>	<u>(348,326)</u>
		<u>\$ 48,246</u>	<u>\$ 17,517</u>

THEATRE COMMUNICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 8 - Loans Payable

TCG maintains a line of credit with JPMorgan Chase Bank, secured by all business assets. At June 30, 2020, the available amount on the line was \$1,000,000. The interest rate is LIBOR 1-month plus 2.565%, which at June 30, 2020 was 2.83%. There was no outstanding balance at June 30, 2020.

In April 2020, TCG entered into a loan agreement with The Nonprofit Finance Fund. This loan is due October 22, 2022 and bears no interest. As of June 30, 2020, the outstanding balance is \$900,000.

On April 7, 2020, TCG received a loan totaling \$706,282 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 0.98% per annum, is due on April 7, 2022 and may be forgiven if the Organization meets certain employee retention requirements and the funds are used for eligible expenses. Management anticipates that the loan will be fully forgiven.

Note 9 - Commitment

TCG occupies office space under a lease which expires November 30, 2022. Approximate minimum rental payments under this are as follows:

<u>Year Ending June 30,</u>	
2021	\$495,675
2022	508,066
Thereafter, through November 30, 2022	213,868

Rent expense for the years ended June 30, 2020 and 2019 was \$460,459.

Note 10 - Concentrations

Approximately 29% of all contributions were received from two foundations in 2020 and approximately 77% of all contributions receivable at June 30, 2020 are due from four foundations and one government agency. Approximately 36% of all contributions were received from one foundation and one estate in 2019 and approximately 52% of all contributions receivable at June 30, 2019 were due from three foundations.

THEATRE COMMUNICATIONS GROUP, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****Note 10 - Concentrations (continued)**

The Organization maintains its cash and cash equivalent balances in two financial institutions located in New York, New York. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Note 11 - Pension and Retirement Plans

TCG has a defined contribution pension plan covering substantially all employees who satisfy age and service requirements. The Organization suspended contributions to the plan effective fiscal year 2010.

Note 12 - Risks and Uncertainties

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, TCG has suspended some of its program activities at the direction of state and local governmental authorities. While management is currently evaluating the potential impact that the resulting economic uncertainties may have on TCG, it believes that its current financial assets are sufficient to support TCG's operations on an ongoing basis.