

**BROADWAY SACRAMENTO
AND AFFILIATE**

**CONSOLIDATED FINANCIAL
STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2020 AND 2019**

BROADWAY SACRAMENTO AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Broadway Sacramento
Sacramento, California**

We have audited the accompanying consolidated financial statements of Broadway Sacramento and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 auditor's 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Broadway Sacramento and Affiliate as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating statements on pages 19 through 22 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Gilbert CPAs

**GILBERT CPAS
Sacramento, California**

May 12, 2021

BROADWAY SACRAMENTO AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,599,854	\$ 3,496,510
Restricted cash	556,691	817,449
Prepaid expenses	364,317	599,118
Accounts and contributions receivable, net	66,700	61,610
Other current assets	15,456	59,238
Total current assets	3,603,018	5,033,925
NONCURRENT ASSETS:		
Restricted cash	14,115	664,866
Investments	740,976	665,903
Property and equipment, net	10,731,058	11,112,905
Other assets	235,567	356,122
TOTAL ASSETS	\$ 15,324,734	\$ 17,833,721
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 85,594	\$ 155,908
Accrued expenses	392,743	535,315
Current portion of capital lease obligation	335,562	320,562
Current portion of note payable	13,471	34,329
Payroll Protection Program loan	498,300	
Current portion of deferred revenue	1,085,616	5,924,768
Total current liabilities	2,411,286	6,970,882
NONCURRENT LIABILITIES:		
Note payable, net	29,574	
Capital lease obligation, net	6,118,184	6,453,746
Deferred revenues, net	3,725,683	
Total liabilities	12,284,727	13,424,628
NET ASSETS:		
Without donor restrictions	2,989,125	4,372,654
With donor restrictions	50,882	36,439
Total net assets	3,040,007	4,409,093
TOTAL LIABILITIES AND NET ASSETS	\$ 15,324,734	\$ 17,833,721

The accompanying notes are an integral part of these consolidated financial statements.

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Ticket sales	\$ 3,723,592	\$ 13,299,023
Contributions	2,011,591	1,600,183
Box office handling	127,430	805,329
Interest and investment income	106,159	150,799
Costume rentals and other	96,051	158,521
Program advertising	52,754	225,662
Facility fees and other revenues designated for H Street project	42,946	551,192
Concessions	1,442	306,429
Net assets released from restrictions	<u>11,775</u>	<u>6,500</u>
Total revenues	<u>6,173,740</u>	<u>17,103,638</u>
EXPENSES:		
Theatrical productions	4,961,989	13,706,495
Educational programs	<u>69,155</u>	<u>410,426</u>
Total program expenses	5,031,144	14,116,921
Supporting services:		
General and administrative expenses	2,279,810	2,724,502
Fundraising	<u>246,315</u>	<u>472,335</u>
Total expenses	<u>7,557,269</u>	<u>17,313,758</u>
DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(1,383,529)</u>	<u>(210,120)</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	26,218	7,906
Net assets released from restrictions	<u>(11,775)</u>	<u>(6,500)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>14,443</u>	<u>1,406</u>
DECREASE IN NET ASSETS	(1,369,086)	(208,714)
NET ASSETS, Beginning of Year	<u>4,409,093</u>	<u>4,617,807</u>
NET ASSETS, End of Year	<u>\$ 3,040,007</u>	<u>\$ 4,409,093</u>

The accompanying notes are an integral part of these consolidated financial statements.

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020

	<u>Theatrical Productions</u>	<u>Educational Programs</u>	<u>Management and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Producer/Author share, guarantee	\$ 2,200,222				\$ 2,200,222
Personnel	542,133	\$ 46,592	\$ 1,234,527	\$ 153,541	1,976,793
Advertising/Marketing	543,776	300	34,188	15,269	593,533
Depreciation	531,333		57,781		589,114
Rent	259,568	120	124,960		384,648
Health benefits	63,913	10,503	134,972	17,209	226,597
Interest expense	17,438		200,489		217,927
Payroll taxes	75,092	6,361	106,377	13,195	201,025
Ticketing system/Ticket fees	158,515				158,515
Bank fees	124,484	83	11,545	14,294	150,406
Telecommunications	35,144		101,319		136,463
Occupancy	117,436		2,877		120,313
Insurance	57,342		59,833		117,175
Professional services		4,586	78,632		83,218
Event	47,073			10,132	57,205
Costume, scenic, prop and other show related	40,566				40,566
Repairs and maintenance	34,392		1,143		35,535
Rental expenses	5,846	103	25,838		31,787
Pensions/Annuities	28,430		1,500		29,930
Parking	9,263	90	17,852		27,205
Postage/Shipping	13,797		3,458		17,255
Travel, housing & transportation	13,217	350	224		13,791
Other payroll related			10,561		10,561
Amortized show costs	7,750				7,750
Supplies	1,857	17	4,699		6,573
Equipment and software	1,873		3,926		5,799
Other expense	31,529	50	63,109	22,675	117,363
Total	<u>\$ 4,961,989</u>	<u>\$ 69,155</u>	<u>\$ 2,279,810</u>	<u>\$ 246,315</u>	<u>\$ 7,557,269</u>

The accompanying notes are an integral part of these consolidated financial statements.

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	<u>Theatrical Productions</u>	<u>Educational Programs</u>	<u>Management and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Producer/Author share, guarantee	\$ 4,607,649				\$ 4,607,649
Personnel	3,073,613	\$ 260,437	\$ 1,446,364	\$ 156,709	4,937,123
Advertising/Marketing	1,609,443	5,890	69,563	12,260	1,697,156
Depreciation	546,054		56,638		602,692
Rent	372,775	22,375	124,210		519,360
Health benefits	264,129	7,606	143,831	7,847	423,413
Interest expense	17,438		212,975		230,413
Payroll taxes	479,597	38,738	125,302	14,932	658,569
Ticketing system/Ticket fees	232,164				232,164
Bank fees	327,673	816	13,237	14,345	356,071
Telecommunications	31,697		121,211		152,908
Occupancy	208,108		2,313		210,421
Insurance	78,046		63,913		141,959
Professional services	79,710	25,870	139,306		244,886
Event	62,040			180,188	242,228
Costume, scenic, prop and other show related	433,856	1,690			435,546
Repairs and maintenance	84,114		2,723		86,837
Rental expenses	115,703	574	27,445		143,722
Pensions/Annuities	267,445	1,671	33,192		302,308
Parking	54,512	758	27,221		82,491
Postage/Shipping	63,646		6,599		70,245
Travel, housing & transportation	452,935	538	11,072		464,545
Other payroll related	48,465		12,816		61,281
Amortized show costs					
Supplies	116,714	753	14,512		131,979
Equipment and software	13,129		13,802	1,206	28,137
Other expense	65,840	42,710	56,257	84,848	249,655
Total	<u>\$ 13,706,495</u>	<u>\$ 410,426</u>	<u>\$ 2,724,502</u>	<u>\$ 472,335</u>	<u>\$ 17,313,758</u>

The accompanying notes are an integral part of these consolidated financial statements.

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (1,369,086)	\$ (208,714)
Reconciliation to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(66,931)	(64,893)
Gain on disposal of property and equipment	(1,035)	
Depreciation	589,114	602,692
Amortization of debt issuance costs	17,438	17,437
Changes in:		
Prepaid expenses	234,801	237,822
Accounts and contributions receivable	(5,090)	18,553
Other assets	164,337	84,659
Accounts payable	(70,314)	(162,026)
Accrued expenses	(142,572)	(166,873)
Deferred revenues	(1,113,469)	(198,315)
Net cash provided (used) by operating activities	<u>(1,762,807)</u>	<u>160,342</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(120,138)	(620,430)
Proceeds from sale of investments	111,996	882,125
Proceeds from sale of property and equipment	1,400	
Purchases of property and equipment	(152,632)	(113,849)
Net cash provided (used) by investing activities	<u>(159,374)</u>	<u>147,846</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan	498,300	
Payment on capital lease obligations	(349,955)	(323,000)
Principal payments on note payable	(34,329)	(45,776)
Net cash provided (used) by financing activities	<u>114,016</u>	<u>(368,776)</u>
NET DECREASE IN CASH	(1,808,165)	(60,588)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>4,978,825</u>	<u>5,039,413</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 3,170,660</u>	<u>\$ 4,978,825</u>
Cash	\$ 2,599,854	\$ 3,496,510
Restricted cash	<u>570,806</u>	<u>1,482,315</u>
Total	<u>\$ 3,170,660</u>	<u>\$ 4,978,825</u>
NON-CASH ACTIVITY:		
Property and equipment acquired through note payable	<u>\$ 55,000</u>	<u>\$</u>
SUPPLEMENTAL ACTIVITY:		
Interest paid	<u>\$ 230,896</u>	<u>\$ 226,105</u>

The accompanying notes are an integral part of these consolidated financial statements.

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Broadway Sacramento (BWYSAC) is a California nonprofit corporation. BWYSAC annually produces and presents two seasons of theatrical productions in Sacramento, California. Broadway At Music Circus productions are performed in the Music Circus Pavilion and Broadway On Tour productions are presented in the Sacramento Community Center Theater or Memorial Auditorium (while the Community Center is undergoing renovations). BWYSAC also provides educational programming for all ages, including professional development for teachers, advanced training in musical theatre and dance, a comprehensive technical theatre internship program, and opportunities for the underserved community to see live theatre.

The Broadway Sacramento Foundation (Foundation) was formed in 2001 with the specific purpose to encourage, support, and promote the maintenance, enhancement, and expansion of Broadway Sacramento in the Sacramento region and beyond.

Impact of COVID-19 – The outbreak of the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic’s spread have significantly impacted Broadway Sacramento. The full impact of the COVID-19 outbreak continues to evolve. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial position, liquidity, and future results of operations.

In response to the pandemic declaration, on March 13, 2020 Broadway Sacramento canceled or postponed the remainder of its 2020 productions to comply with state and local health and safety standards.

The annual Gala, which was to be held in May 2020, and the remaining 2020 education programs were also canceled. Admissions revenue from the date of closure through December 31, 2020 was approximately \$10 million lower than the comparable period of the prior fiscal year.

This revenue loss was offset by a PPP loan (\$498,300), Cares Act Grants filtered through the City of Sacramento (\$504,713) and increased unrestricted contributions (\$67,837) totaling \$1,070,850 more than the comparable prior year period. Strong donor support continues and \$137,150 of the revenue collected for the canceled 2020 Gala was donated. In addition, operating (non-show-related) expenses in the last three quarters of fiscal year 2020 were approximately \$1 million lower than the prior year due to the elimination or reduction of expenditures where possible. In April 2020, a reduction in force of 36% percent was implemented and cost reduction strategies continued.

The 2020 Broadway At Music Circus season was postponed to 2021 and then subsequently moved to 2022. Due to the postponement, the monthly collections of facility fee cumulative requirements have not been met, however required debt service payments have been made on time. Season tickets went on sale 11/4/2019. Many ticket buyers opted to keep their tickets and Broadway Sacramento was able to retain the ticket revenue, which has benefitted cash flow.

Continued restrictions on public gathering size make in person engagement activities financially unfeasible during this pandemic. Management evaluated operating structures and made the strategic decision to fulfill its Education mission via two virtual programs in the summer of 2021. As vaccinations have become widely available, Broadway Sacramento has planned to present a three-show 2021 Broadway On Tour season beginning in September 2021 (if restrictions have been lifted). Season tickets went on sale December 8, 2020 and as of April 30, 2021, ticket receipts of approximately \$4 million have been collected.

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

In April 2021, Broadway Sacramento received funding from a second PPP loan in the amount of \$363,100 and has applied for a Shuttered Venue Operators Grant. The application is still pending, and the proposed grant amount is \$6,486,411. Broadway Sacramento continues to closely monitor and reduce expenses.

While management reasonably expects the COVID-19 outbreak to negatively impact Broadway Sacramento's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain. Based on the circumstances described above, the financial statements are prepared on the assumption that Broadway Sacramento is a going concern.

Principles of consolidation – The accompanying financial statements reflect the consolidation of BWYSAC and the Foundation (collectively, the Company). BWYSAC's Board of Directors approves the Foundation's Board of Directors and has an economic interest in the Foundation. The organizations share common facilities and personnel. Material intercompany transactions and balances have been eliminated.

Basis of presentation – The consolidated financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Company reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The Company's net assets with donor restrictions consist of amounts received or pledged to support future periods. The Company has no net assets restricted by donors in perpetuity.

Cash and cash equivalents – For purposes of the statements of cash flows, the Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents, unless held for long term purposes.

The Company minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Company deposits held with financial institutions in excess of federal depository insurance limits were \$1,757,366 and \$1,561,768 as of December 31, 2020 and 2019, respectively. The Company has not experienced any losses in such accounts and management believes the Company is not exposed to any significant credit risk related to cash.

Restricted cash consists of facility fees charged as an addition to Broadway At Music Circus ticket prices which are used to retire the debt obligation to the City of Sacramento. See Note 5 for additional details.

Investments – The Company's investments in mutual funds are stated at fair value based on published quoted prices. Certificates of deposit are stated at cost.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for doubtful accounts at December 31, 2020. The allowance for doubtful accounts at December 31, 2019 was \$24,549.

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Property and equipment are stated at cost, if purchased, or at fair value, if contributed. Property and equipment under the capital lease in connection with renovation and construction of the H Street Project are recorded at their fair value at the date of acquisition, measured as the present value of the payments under the lease obligation upon execution of the lease agreement. Property and equipment with a cost greater than \$1,000 are capitalized. Depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 40 years.

Revenue recognition – Ticket sales, box office handling fees, concessions, facility fees and other revenues designated for the H Street project, program advertising, and costume rentals and other income are considered exchange transactions. Funds received in advance of the service date are recorded as deferred revenue. Refer to Note 9 for accounting policies and additional details regarding revenue from contracts with customers.

Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. The Company reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. As such, donor-restricted contributions that are initially conditional, and for which the donor-imposed conditions and restrictions are met in the same year, are reported as revenue without donor restrictions. 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 and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions whose restrictions are met in the same reporting period are shown as net assets without donor restrictions.

Advertising costs – Direct response advertising costs promoting future performances are recorded as prepaid expenses and are expensed when the related performances occur. Advertising expenses for the years ended December 31, 2020 and 2019 totaled \$566,351 and \$1,646,173, respectively. Prepaid costs of future performances include prepaid advertising expense totaling \$20,557 and \$218,014 at December 31, 2020 and 2019, respectively.

Income tax status – BWYSAC is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and similar state statutes and is exempt from federal and state income taxes on its theatrical operations. Under certain circumstances, BWYSAC may be liable for income taxes on unrelated business income pursuant to Section 501(b) of the Internal Revenue Code. The Foundation is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes.

The Company has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements.

Functional allocation of expenses – The Company's operational expenses are summarized on a functional basis in the statements of activities and functional expenses. For the years ended December 31, 2020 and 2019, the Company conducted activities that included theatrical productions, outreach and education, fundraising, and general and administrative activities. The costs of conducting those activities include employee salaries and benefits and other operational costs. Costs attributable to specific functions are allocated directly to those functions. Indirect costs are allocated entirely to general and administrative expenses.

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events have been reviewed through May 12, 2021, the date the financial statements were issued. Management concluded that all material subsequent events have been disclosed that require recognition or disclosure in the financial statements. Refer to Note 7.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

Recent accounting pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending December 31, 2022. The Company is currently evaluating the impact this pronouncement will have on the financial statements.

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Broadway Sacramento's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,599,854	\$ 3,496,510
Investments	740,976	665,903
Accounts receivable, net	<u>66,700</u>	<u>61,610</u>
Total financial assets available within one year	3,407,530	4,224,023
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose or time restrictions	<u>(17,500)</u>	<u>(11,775)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,390,030</u>	<u>\$ 4,212,248</u>

BWYSAC's working capital and cash flows have seasonal variations during the year attributable to cash receipts of ticket sales and a concentration of contributions received in November – January for the Broadway At Music Circus season and December-January and July-August for the Broadway On Tour season. The Company structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. BWYSAC invests a portion of its excess daily requirements in mutual funds. The Foundation invests its funds in mutual funds and certificates of deposit. Although the Company generally intends to hold its investments for long-term purposes, they could be accessed for current operational expenses if needed.

3. INVESTMENTS

Investments in mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. There were no fair value adjustments for certificates of deposit during 2020 and 2019.

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Mutual funds – equity funds:		
Large blend	\$ 209,111	\$ 268,831
Mid-cap blend	124,523	38,467
Small blend	55,140	39,084
Large growth	46,959	38,432
Large value	39,567	39,148
Mutual funds – fixed income:		
Intermediate	195,659	150,731
Mutual funds – non-traditional:		
Options based	38,828	
Certificates of deposit	<u>31,189</u>	<u>91,210</u>
Total	<u>\$ 740,976</u>	<u>\$ 665,903</u>

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

Interest and investment income consist of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 39,228	\$ 85,906
Net realized and unrealized gain on investments	<u>66,931</u>	<u>64,893</u>
Total	<u>\$ 106,159</u>	<u>\$ 150,799</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 15,062,078	\$ 15,062,078
Machinery and equipment	2,119,275	2,115,312
Land	1,130,049	1,130,049
Furniture and fixtures	720,960	720,960
Leasehold improvements	495,492	353,264
Autos and trucks	142,444	127,956
Costumes	73,282	73,282
Total	<u>19,743,580</u>	<u>19,582,901</u>
Less accumulated depreciation	<u>(9,012,522)</u>	<u>(8,469,996)</u>
Total	<u>\$ 10,731,058</u>	<u>\$ 11,112,905</u>

Included in the amounts above are property and equipment under capital lease with a net book value of \$8,353,739 and \$8,718,970 at December 31, 2020 and 2019, respectively (See Note 5).

5. H STREET PROJECT

The Company's Broadway At Music Circus theatre (Music Circus Pavilion) resides on a parcel of land known as the G Street Property. An adjacent theater facility that resides on a parcel known as the H Street Property is used during productions in the Music Circus Pavilion. Beginning in 2000, the Company, along with the City of Sacramento (City), County of Sacramento (County) and the Sacramento Theater Company (STC) initiated a project to renovate the G Street Property and reconstruct the H Street Property (the H Street Project). In August 2002, financing for the renovation project was obtained under an arrangement whereby the City and the County formed a joint powers authority (Authority) that sold tax-exempt debt instruments totaling \$16,580,000 to finance the renovation project. The Authority retained certain amounts of the proceeds from the debt instruments as a debt service reserve fund and used the balance for the costs of the renovation.

After the renovation was complete, the Company leased the G Street Property and the H Street Property (Facility Lease) from the Authority. The Facility Lease obligates the Company to make semi-annual minimum lease payments through September 2032. Under the terms of the Facility Lease, the Company is required to collect a facility fee on all tickets sold for performances at the G Street Property until payment in full of all amounts due. The Company is required to hold all such facility fee proceeds in a depository account restricted for payments under the Facility Lease.

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Upon completion of all payments of amounts due under the Facility Lease, the title of the G Street Property will transfer to the Company while the title to the H Street Property will remain with the Authority. The Facility Lease has been accounted for as a capital lease obligation. As such, the present value of the minimum lease payments at the inception of the lease was recorded as a liability.

The assets resulting from the capital lease obligation and other capital acquisitions in connection with the project are being amortized over their estimated useful lives of up to 40 years. The Facility Lease is collateralized by the leased facility and revenues from the Music Circus performances.

The Facility Lease contains various covenants, which among other things, limits additional debt or guarantees. Due to the impact of the Covid-19 pandemic and the resulting restrictions on public gatherings, the monthly collections of facility fee cumulative requirements have not been met, however, required debt service payments have been made on time.

In 2016, the City refinanced the facility lease through its Sacramento Public Financing Authority, in the amount of \$9,115,000. The new financing became effective March 1, 2016 and is structured as a lease-leaseback, as before, however it is secured by general fund appropriations of the City; Sacramento County no longer has any responsibilities for the debt payments. Principal and interest payments are due semi-annually each March 1st and September 1st beginning on September 1, 2016 and ending September 1, 2032.

In addition to the minimum lease payments under the Facility Lease, the Company is obligated to accumulate funds for debt service under a monthly schedule as defined in an agreement with the City. Such amounts, along with investment earnings thereon, are restricted for debt service payments; however, these restricted deposits are assessed by the City after the September debt service payment each year and any balances in excess of the next year's debt service payment obligations are returned to the Company and no longer restricted for debt service payments.

After the final capital lease payment is made, the Company's Facility Lease with the City, facility sublease with STC described below, and the land lease with the City will terminate. The parties have executed an agreement to enter into good faith negotiations for continuation of the use of the H Street Property under terms similar to the prior Facility Lease upon termination of the Facility Lease.

Debt service payments as of December 31, 2020 are as follows:

Year Ending December 31:

2020	\$ 542,570
2021	670,725
2022	671,525
2023	671,970
2024	671,918
Thereafter	<u>4,705,121</u>
Total	7,933,829
Less amounts representing interest	<u>(1,270,829)</u>
Capital lease obligation	6,663,000
Less current portion	<u>(353,000)</u>
Capital lease obligation, net	<u>\$ 6,310,000</u>

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The capital lease obligation and unamortized debt issue costs are as follows:

	<u>2020</u>	<u>2019</u>
Current portion of capital lease obligation	\$ 353,000	\$ 338,000
Less: current portion of unamortized debt issuance costs	<u>(17,438)</u>	<u>(17,438)</u>
Current portion of capital lease obligation, net	<u>335,562</u>	<u>320,562</u>
Noncurrent portion of capital lease obligation	6,310,000	6,663,000
Less: noncurrent portion of unamortized debt issuance costs	<u>(191,816)</u>	<u>(209,254)</u>
Noncurrent portion of capital lease obligation, net	<u>6,118,184</u>	<u>6,453,746</u>
Total capital lease obligation, net of debt issuance costs	<u>\$ 6,453,746</u>	<u>\$ 6,774,308</u>

Under the Facility Lease, the Company is obligated to repair and maintain the G Street Property and H Street Property. To provide funds for major repairs, the Company is obliged to deposit \$30,000 per year (\$28,500 per year if the Capital Reserve Account balance is above \$50,000 as of July 1 of each year) to the City for up to 17 years, which, along with accumulated interest thereon, will be available to reimburse the Company for major repair costs. These annual payments are accounted for as prepaid expenses when deposited, and expensed or capitalized, depending on the nature of the cost, when expended.

Concurrent with the Facility Lease, the Company executed a sublease agreement (Facility Sublease) with STC for the same period as the Facility Lease. Under the Facility Sublease, the H Street Property is subleased to STC under terms providing that the Company has primary use of the H Street Property for three months of the year and STC has primary use of the H Street Property for the other nine months of the year. The use of the H Street Property is necessary for the Company to conduct events at the G Street Property. STC is required by the Facility Sublease to charge a facility fee of at least \$2.50 per ticket sold and pay all such facility fee proceeds to the Company as sublease payments.

STC is required to generate \$91,000 of facility fees annually during the Facility Sublease term. In the event that STC fails to generate the agreed upon amount of facility fees by \$50,000 or more as stipulated in the Facility Sublease, STC would be in default and the Company would have certain additional rights as to the use of the H Street Property. STC was not in default as of December 31, 2020. Sublease rental income is recorded as a component of facility fees and contributions designated for the H Street Project on the statements of activities and totaled \$39,781 and \$75,691 for the years ended December 31, 2020 and 2019, respectively. The Company accounts for the Facility Sublease as an operating lease.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

6. NOTE PAYABLE

BWYSAC has a promissory note payable secured by a vehicle with an interest rate of 3.39%, payable in monthly principal and interest installments of \$1,227 through January 2024. Future minimum principal payments due under this note are as follows:

Year Ending December 31:

2021	\$	13,471
2022		13,935
2023		14,415
2024		<u>1,224</u>
Total	\$	<u>43,045</u>

BWYSAC had an interest free note payable that represented the financed purchase of the Organization's new ticketing system. Quarterly payments were due in installments of \$11,443 through September 2020. Payments made during 2020 totaled \$34,329, and there is no remaining balance on the note.

7. PAYROLL PROTECTION PROGRAM LOAN

In April 2020, the Company received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling \$498,300. The terms and repayment conditions of PPP loans were modified through the subsequent Paycheck Protection Program Flexibility Act (PPPFA) signed into law in June 2020. Under the CARES Act, as modified by PPPFA, a portion or all of the loan and accrued interest may be forgiven provided the funds are spent on qualifying payroll and other expenditures in the 24-week period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are maintained. Additionally, PPPFA extended the date by which the borrower is required to make the first monthly principal and interest payment, to a date that is one month immediately following the date on which the Small Business Administration (SBA) determines the appropriate forgiveness amount and remits the decision to the lender. The portion of the loan that does not qualify for forgiveness or any additional amount that the Company chooses to maintain as a loan, is required to be repaid within 2 years at 1% interest.

The Company received notification that \$456,077 of this loan was forgiven by the SBA on April 14, 2021 and will therefore recognize the loan forgiveness as revenue in 2021. The remaining loan amount of \$46,751, which comprises \$42,223 of original principal plus accrued interest of \$4,528, is payable in monthly principal and interest installment payments of \$3,652 through May 2022. Future minimum principal payments due under this note are as follows:

Year Ending December 31:

2021	\$	29,030
2022		<u>17,721</u>
Total	\$	<u>46,751</u>

BROADWAY SACRAMENTO AND AFFILIATE

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In April 2021, the Company received a second PPP loan totaling \$363,100 under the same terms and conditions per the CARES Act and PPPFA. The portion of the loan that does not qualify for forgiveness or any additional amount that the Company chooses to maintain as a loan, is required to be repaid within 2 years at 1% interest. The Company anticipates applying for forgiveness of the loan, however the application for loan forgiveness is subject to approval by the lender. The timing of possible repayments, if any, is expected to begin June 2022 after the 24-week covered period and 10-month payment deferral. The extent and amount of forgiveness cannot be determined at this time.

8. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company leases certain equipment and facilities under long-term operating lease agreements, which expire at various dates through 2025. Rental expense in connection with these operating lease agreements for 2020 and 2019 was \$329,157 and \$307,050, respectively. Future minimum payments for the operating leases are as follows:

Year Ending December 31:

2021	\$ 329,877
2022	210,785
2023	192,581
2024	197,713
2025	<u>3,393</u>
Total	<u>\$ 934,349</u>

9. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's revenue from contracts with customers consists of ticket sales, box office handling fees, facility fees and other revenues designated for the H Street project, concessions, program advertising, and costume rentals and other, because the Company provides services of direct benefit to the resource provider.

Revenues from ticket sales and facility fees are recognized at the time the event occurs. Concessions revenue and box office handling fees are recognized at the point of sale. Advertising fees and naming rights are recognized ratably over the performance period. Costume rentals are recognized when the rental occurs.

Funds received in advance of being earned are recorded as deferred revenue, which represents a contract liability.

A contract asset is recorded when the Company satisfies a performance obligation of a contract but is not yet entitled to payment. When the Company becomes entitled to payment, the contract asset is classified as a receivable, whether invoiced or not.

The performance obligations which are satisfied over time, such as advertising fees are recognized evenly over the performance period. Other performance obligations are satisfied at a point in time, including admission to an event or when a rental occurs.

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

For the year ended December 31, 2020, revenue recognized for goods and services transferred at a point in time and for services transferred over time totaled \$3,991,461 and \$52,754, respectively. For the year ended December 31, 2019, revenue recognized for goods and services transferred at a point in time and for services transferred over time totaled \$14,995,494 and \$350,662, respectively.

The balances of receivables and contract liabilities from contracts with customers are as follows as of December 31:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Receivables	\$ 2,114	\$ 53,836	\$ 65,680
Contract liabilities:			
Deferred revenue	\$ 4,811,299	\$ 5,919,768	\$ 6,111,083

Deferred revenue is primarily ticket sales. \$1,085,616 is expected to be recognized in 2021 and \$3,725,683 is expected to be recognized in 2022.

Costs incurred relative to future performances are recorded as prepaid expenses. When the performances occur, the related deferred revenue and prepaid expenses are recorded as revenues and expenses. The Company had prepaid costs of future performances for the years 2020 and 2019 of \$180,785 and \$371,996, respectively.

10. EMPLOYEE BENEFIT PLAN

The Company sponsors the Broadway Sacramento 401(k) Employee Benefit Plan (Plan) for eligible employees. The Plan provides employees the opportunity to have a specific pretax percentage or dollar amount withheld from their salary and have such amount deposited directly into a 401(k) account on their behalf. In addition, if employees satisfy the eligibility conditions of the Plan, they may be eligible to receive an additional employer contribution. The additional employer contribution covers substantially all full-time employees at least 21 years of age with more than one year of employment and 1,000 hours of service.

The Company's contributions to the Plan were determined using formulas provided in the Plan agreement and vest ratably over five years. The Company contributes to the plan annually based upon a June 30 closing date. There were no contributions for the Plan's June 30, 2020 year-end. Contributions for the Plan's June 30, 2019 year-end were \$41,595. The next contribution date will not take place until the Plan year-end of June 30, 2021.

11. LOAN AGREEMENTS

The Company has a revolving loan agreement with the City of Sacramento, which provides the Company up to \$300,000 to assist with operating costs incurred in producing theatrical events. The loan is to be evidenced by a promissory note and secured by a deed of trust on the real property at 1422 G Street, Sacramento, CA. Interest is at a rate equal to the City's annual earnings rate on Pool A funds for the previous fiscal year, plus two percentage points, per annum. As of December 31, 2020 and 2019, there were no draws taken from this account and no outstanding balance due. The revolving loan expired on May 8, 2021 and will not be renewed.

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL DECEMBER 31, 2020

	<u>BWYSAC</u>	<u>Foundation</u>	<u>Consolidated</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 2,574,385	\$ 25,469	\$ 2,599,854
Restricted cash	556,691		556,691
Prepaid expenses	364,317		364,317
Accounts and contributions receivable, net	66,700		66,700
Other current assets	15,456		15,456
Total current assets	3,577,549	25,469	3,603,018
NONCURRENT ASSETS:			
Restricted cash	14,115		14,115
Investments		740,976	740,976
Property and equipment, net	10,731,058		10,731,058
Other assets	213,685	21,882	235,567
TOTAL ASSETS	\$ 14,536,407	\$ 788,327	\$ 15,324,734
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 85,594		\$ 85,594
Accrued expenses	392,743		392,743
Current portion of capital lease obligation	335,562		335,562
Current portion of note payable	13,471		13,471
Payroll Protection Program loan	498,300		498,300
Current portion of deferred revenue	1,085,616		1,085,616
Total current liabilities	2,411,286		2,411,286
NONCURRENT LIABILITIES:			
Note payable, net	29,574		29,574
Capital lease obligation, net	6,118,184		6,118,184
Deferred revenues, net	3,725,683		3,725,683
Total liabilities	12,284,727		12,284,727
NET ASSETS:			
Without donor restrictions	2,222,680	\$ 766,445	2,989,125
With donor restrictions	29,000	21,882	50,882
Total net assets	2,251,680	788,327	3,040,007
TOTAL LIABILITIES AND NET ASSETS	\$ 14,536,407	\$ 788,327	\$ 15,324,734

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL DECEMBER 31, 2019

	<u>BWYSAC</u>	<u>Foundation</u>	<u>Consolidated</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 3,443,395	\$ 53,115	\$ 3,496,510
Restricted cash	817,449		817,449
Prepaid expenses	599,118		599,118
Accounts and contributions receivable, net	61,610		61,610
Other current assets	59,238		59,238
Total current assets	<u>4,980,810</u>	<u>53,115</u>	<u>5,033,925</u>
NONCURRENT ASSETS:			
Restricted cash	664,866		664,866
Investments		665,903	665,903
Property and equipment, net	11,112,905		11,112,905
Other assets	336,458	19,664	356,122
TOTAL ASSETS	<u>\$ 17,095,039</u>	<u>\$ 738,682</u>	<u>\$ 17,833,721</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 155,908		\$ 155,908
Accrued expenses	535,315		535,315
Current portion of capital lease obligation	320,562		320,562
Current portion of note payable	34,329		34,329
Deferred revenues	5,924,768		5,924,768
Total current liabilities	<u>6,970,882</u>		<u>6,970,882</u>
CAPITAL LEASE OBLIGATION, Net	<u>6,453,746</u>		<u>6,453,746</u>
Total liabilities	<u>13,424,628</u>		<u>13,424,628</u>
NET ASSETS:			
Without donor restrictions	3,653,636	\$ 719,018	4,372,654
With donor restrictions	16,775	19,664	36,439
Total net assets	<u>3,670,411</u>	<u>738,682</u>	<u>4,409,093</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,095,039</u>	<u>\$ 738,682</u>	<u>\$ 17,833,721</u>

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES - SUPPLEMENTAL YEAR ENDED DECEMBER 31, 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS:	<u>BWYSAC</u>	<u>Foundation</u>	<u>Consolidated</u>
REVENUES:			
Ticket sales	\$ 3,723,592		\$ 3,723,592
Contributions	2,005,223	\$ 6,368	2,011,591
Box office handling	127,430		127,430
Interest and investment income	20,543	85,616	106,159
Costume rentals and other	96,051		96,051
Program advertising	52,754		52,754
Facility fees and other revenues designated for H Street project	42,946		42,946
Concessions	1,442		1,442
Net assets released from restrictions	11,775		11,775
Total revenues	<u>6,081,756</u>	<u>91,984</u>	<u>6,173,740</u>
EXPENSES:			
Theatrical productions	4,961,989		4,961,989
Educational programs	69,155		69,155
Total program expenses	5,031,144		5,031,144
Supporting services:			
General and administrative expenses	2,235,253	44,557	2,279,810
Fundraising	246,315		246,315
Total expenses	<u>7,512,712</u>	<u>44,557</u>	<u>7,557,269</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(1,430,956)</u>	<u>47,427</u>	<u>(1,383,529)</u>
NET ASSETS WITH DONOR RESTRICTIONS:			
Contributions	24,000	2,218	26,218
Net assets released from restrictions	<u>(11,775)</u>		<u>(11,775)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>12,225</u>	<u>2,218</u>	<u>14,443</u>
INCREASE (DECREASE) IN NET ASSETS	(1,418,731)	49,645	(1,369,086)
NET ASSETS, Beginning of Year	<u>3,670,411</u>	<u>738,682</u>	<u>4,409,093</u>
NET ASSETS, End of Year	<u>\$ 2,251,680</u>	<u>\$ 788,327</u>	<u>\$ 3,040,007</u>

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES - SUPPLEMENTAL YEAR ENDED DECEMBER 31, 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS:	<u>BWYSAC</u>	<u>Foundation</u>	<u>Consolidated</u>
REVENUES:			
Ticket sales	\$ 13,299,023		\$ 13,299,023
Contributions	1,595,400	\$ 4,783	1,600,183
Box office handling	805,329		805,329
Interest and investment income	48,347	102,452	150,799
Costume rentals and other	158,501	20	158,521
Program advertising	225,662		225,662
Facility fees and other revenues designated for H Street project	551,192		551,192
Concessions	306,429		306,429
Net assets released from restrictions	6,500		6,500
Total revenues	16,996,383	107,255	17,103,638
EXPENSES:			
Theatrical productions	13,706,495		13,706,495
Educational programs	410,426		410,426
Total program expenses	14,116,921		14,116,921
Supporting services:			
General and administrative expenses	2,703,081	21,421	2,724,502
Fundraising	472,335		472,335
Total expenses	17,292,337	21,421	17,313,758
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(295,954)	85,834	(210,120)
NET ASSETS WITH DONOR RESTRICTIONS:			
Contributions	6,775	1,131	7,906
Net assets released from restrictions	(6,500)		(6,500)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	275	1,131	1,406
INCREASE (DECREASE) IN NET ASSETS	(295,679)	86,965	(208,714)
NET ASSETS, Beginning of Year	3,966,090	651,717	4,617,807
NET ASSETS, End of Year	\$ 3,670,411	\$ 738,682	\$ 4,409,093