

**BROADWAY SACRAMENTO
AND AFFILIATE**

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

**YEARS ENDED
DECEMBER 31, 2022 AND 2021**

BROADWAY SACRAMENTO AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Broadway Sacramento and Affiliate (the Company), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Broadway Sacramento and Affiliate as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Broadway Sacramento and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Broadway Sacramento and Affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on pages 23 through 27, 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 consolidating financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2023, on our consideration of Broadway Sacramento and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

May 10, 2023

BROADWAY SACRAMENTO AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,822,084	\$ 17,011,182
Restricted cash	671,525	670,725
Prepaid expenses	521,412	654,881
Accounts receivable	1,498,953	35,488
Pledges receivable	102,957	11,725
Other current assets	<u>203,430</u>	<u>163,943</u>
Total current assets	8,820,361	18,547,944
NONCURRENT ASSETS:		
Restricted cash	1,042,303	201,536
Investments	4,202,900	783,963
Certificates of deposit	1,456,000	30,388
Pledges receivable, net	262,670	
Property and equipment, net	1,695,544	10,197,368
Operating lease, right-of-use assets	516,710	
Financing lease, right-of-use assets	8,790,272	
Other assets	<u>232,956</u>	<u>264,007</u>
TOTAL ASSETS	<u>\$ 27,019,716</u>	<u>\$ 30,025,206</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 157,279	\$ 159,465
Accrued expenses	922,065	1,093,603
Current portion of capital lease obligation		477,562
Current portion of note payable	14,415	13,935
Paycheck Protection Program loan		18,220
Deferred revenue	6,901,588	9,905,932
Refundable advances		2,875,419
Current portion of operating lease liability	302,447	
Current portion of financing lease liability	<u>529,231</u>	
Total current liabilities	8,827,025	14,544,136
NONCURRENT LIABILITIES:		
Note payable, net	1,224	15,639
Capital lease obligation, net		5,640,622
Long-term portion of operating lease liability	195,342	
Long-term portion of financing lease liability	<u>5,368,532</u>	
Total liabilities	<u>14,392,123</u>	<u>20,200,397</u>
NET ASSETS:		
Without donor restrictions	12,192,719	9,774,205
With donor restrictions	<u>434,874</u>	<u>50,604</u>
Total net assets	<u>12,627,593</u>	<u>9,824,809</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,019,716</u>	<u>\$ 30,025,206</u>

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

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUES:		
Ticket sales	\$ 16,783,490	\$ 9,512,142
Contributions	1,797,515	1,118,223
Box office handling	1,067,698	1,010,568
Facility fees and other revenues designated for H Street project	449,206	100,100
Concessions	323,396	
Naming rights revenue	259,999	
Program advertising	188,216	57,466
Costume rentals and other	113,606	35,451
In-kind revenue	105,471	61,514
Interest and investment income (loss)	(124,064)	105,328
Net assets released from restrictions	27,407	17,718
Total revenues	<u>20,991,940</u>	<u>12,018,510</u>
EXPENSES:		
Theatrical productions	17,441,898	10,182,927
Educational programs	393,609	123,349
Total program expenses	17,835,507	10,306,276
Supporting services:		
General and administrative expenses	2,900,618	2,409,667
Fundraising	569,624	241,241
Total expenses	<u>21,305,749</u>	<u>12,957,184</u>
LOSS FROM OPERATIONS	(313,809)	(938,674)
Federal grants	2,732,323	6,904,577
Insurance recoveries	1,562,923	
Loss from fire damage	(1,523,146)	
Loss from disposal of leased assets	(39,777)	
Paycheck Protection Program loan forgiveness		819,177
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,418,514</u>	<u>6,785,080</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	411,677	17,440
Net assets released from restrictions	(27,407)	(17,718)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>384,270</u>	<u>(278)</u>
INCREASE IN NET ASSETS	2,802,784	6,784,802
NET ASSETS, Beginning of Year	<u>9,824,809</u>	<u>3,040,007</u>
NET ASSETS, End of Year	<u>\$ 12,627,593</u>	<u>\$ 9,824,809</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, 2022

	<u>Theatrical Productions</u>	<u>Educational Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Producer/Author share, guarantee	\$ 7,461,269				\$ 7,461,269
Personnel	3,373,137	\$ 260,722	\$ 1,497,320	\$ 183,463	5,314,642
Advertising/Marketing	1,139,072	16,220	72,561	14,275	1,242,128
Payroll taxes	564,492	41,712	141,183	16,960	764,347
Ticketing system/Ticket fees	743,039				743,039
Depreciation and amortization	532,606		69,903		602,509
Travel, housing & transportation	575,574				575,574
Rent	368,741	9,032	132,568		510,341
Bank fees	465,826	429	18,937	21,432	506,624
Costume, scenic, prop and other show related	445,609	941			446,550
Health benefits	263,470	9,084	148,510	19,389	440,453
Pensions/Annuities	303,181		87,022	10,163	400,366
Event	57,377			250,962	308,339
Professional services	75,050	31,978	192,586		299,614
Occupancy	199,622		2,892		202,514
Interest expense			175,000		175,000
Repairs and maintenance	149,796		3,315		153,111
Telecommunications	31,507		105,765		137,272
Insurance	66,084		66,255		132,339
Amortized show costs	109,424				109,424
Rental expenses	90,143	47	11,175		101,365
Postage/Shipping	90,065		6,621		96,686
Other payroll related	32,566		11,985		44,551
Equipment and software	8,432		22,299		30,731
Other expense	295,816	23,444	134,721	52,980	506,961
Total	<u>\$ 17,441,898</u>	<u>\$ 393,609</u>	<u>\$ 2,900,618</u>	<u>\$ 569,624</u>	<u>\$ 21,305,749</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, 2021

	<u>Theatrical Productions</u>	<u>Educational Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Producer/Author share, guarantee	\$ 6,384,547				\$ 6,384,547
Personnel	803,206	\$ 76,901	\$ 1,251,470	\$ 142,007	2,273,584
Advertising/Marketing	201,590	2,989	30,241	12,455	247,275
Payroll taxes	104,227	8,196	114,542	12,721	239,686
Ticketing system/Ticket fees	798,422				798,422
Depreciation and amortization	516,196		51,097		567,293
Travel, housing & transportation					
Rent	296,663	99	124,960		421,722
Bank fees	268,188	208	12,908	15,991	297,295
Costume, scenic, prop and other show related	232,928				232,928
Health benefits	78,667	6,216	127,213	16,283	228,379
Pensions/Annuities	83,705		105,683	13,919	203,307
Event				16,666	16,666
Professional services		19,700	103,947		123,647
Occupancy	92,177		3,024		95,201
Interest expense	17,438		192,097		209,535
Repairs and maintenance	101,154		2,917		104,071
Telecommunications	33,673		108,797		142,470
Insurance	57,009		57,235		114,244
Amortized show costs	22,000				22,000
Rental expenses	7,392		27,279		34,671
Postage/Shipping	31,183		2,151		33,334
Other payroll related			10,391		10,391
Equipment and software	6,209		32,849		39,058
Other expense	46,353	9,040	50,866	11,199	117,458
Total	<u>\$ 10,182,927</u>	<u>\$ 123,349</u>	<u>\$ 2,409,667</u>	<u>\$ 241,241</u>	<u>\$ 12,957,184</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 2,802,784	\$ 6,784,802
Reconciliation to net cash provided (used) by operating activities:		
Payroll Protection Program loan forgiveness		(819,177)
Net realized and unrealized gain (loss) on investments	209,092	(75,518)
Loss on disposal of property and equipment under financing lease	39,777	
Depreciation and amortization	602,509	567,293
Amortization of debt issuance costs		17,438
Reduction in operating right-of-use asset	259,666	
Changes in:		
Prepaid expenses	133,469	(290,564)
Accounts receivable	(1,463,465)	(33,374)
Pledges receivable	(353,902)	52,861
Other assets	(8,436)	(176,927)
Accounts payable	(2,186)	73,871
Accrued expenses	(171,538)	700,860
Deferred revenues	(3,004,344)	5,099,004
Refundable advances	(2,875,419)	2,871,048
Operating lease liability	(278,587)	
Net cash provided (used) by operating activities	<u>(4,110,580)</u>	<u>14,771,617</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(5,111,278)	(85,724)
Purchase of certificates of deposit	(1,656,000)	
Proceeds from sale of investments	1,513,637	87,867
Proceeds from sale of certificates of deposit	200,000	
Purchases of property and equipment	(646,745)	(33,603)
Net cash used by investing activities	<u>(5,700,386)</u>	<u>(31,460)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Payroll Protection Program loans		367,628
Principal payments on Payroll Protection Program loan	(18,220)	(28,531)
Payment on capital lease obligation		(353,000)
Principal payments on note payable	(13,935)	(13,471)
Principal payments on financing leases	(504,410)	
Net cash used by financing activities	<u>(536,565)</u>	<u>(27,374)</u>
NET INCREASE (DECREASE) IN CASH	(10,347,531)	14,712,783
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>17,883,443</u>	<u>3,170,660</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 7,535,912</u>	<u>\$ 17,883,443</u>
Cash	\$ 5,822,084	\$ 17,011,182
Restricted cash	1,713,828	872,261
Total	<u>\$ 7,535,912</u>	<u>\$ 17,883,443</u>
NON-CASH ACTIVITY:		
Right-of-use assets upon adoption of ASC 842 (operating)	\$ 776,376	
Right-of-use assets upon adoption of ASC 842 (financing)	9,154,347	
Acquisition of right-of-use asset through lease obligation (financing)	68,466	
SUPPLEMENTAL ACTIVITY:		
Interest paid	\$ 197,143	\$ 227,096

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

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. COMPANY 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 UC Davis Health Pavilion and Broadway On Tour productions are presented in the SAFE Credit Union Performing Arts Center. BWYSAC also provides educational programming for all ages, including 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 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 had a significant impact on Broadway Sacramento in 2020 and 2021. 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. Broadway Sacramento presented a three-show 2021 Broadway On Tour season beginning in September 2021 due to the lifting of restrictions on public gatherings and has since returned to normal operating levels.

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 companies 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’s deposits held with financial institutions in excess of federal depository insurance limits were \$6,884,971 and \$17,227,273 as of December 31, 2022 and 2021, 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 8 for additional details.

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Investments – The Company’s investments in mutual funds and U.S. Treasury and Agency bonds 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. Accounts receivable at December 31, 2022 includes a fire insurance receivable of \$1,427,610. See Note 14.

Property and equipment are stated at cost, if purchased, or at fair value, if contributed. 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, naming rights revenue, 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 11 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 consolidated statements of activities as net assets released from restrictions. Donor restricted net assets at December 31, 2022 consisted of \$15,000 for 2023 show sponsorships, \$414,874 time restricted, and \$5,000 for other programmatic purposes. Donor restricted net assets at December 31, 2021 consisted of \$9,375 for 2022 show sponsorships, \$28,447 time restricted, and \$12,782 for other programmatic purposes.

The Company receives certain government grants and contributions from donors which limit spending to qualifying expenditures as defined in grant agreements or are conditional upon the occurrence of certain events. There were no outstanding conditional promises to give or refundable advances as of December 31, 2022. Amounts received in advance of incurrence of qualifying expenditures or occurrence of events are recorded as refundable advances which totaled \$2,875,419 at December 31, 2021.

Contributed goods and services – Contributions of in-kind (noncash) goods used in the Company’s operations are recorded at their estimated fair value as both support and expense in the period received, which approximates the time when such goods are distributed or placed into service. Contributions of in-kind services that create or enhance nonfinancial assets or that require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donation, are recorded at their estimated fair value in the period received. Refer to Note 12 for additional disclosures related to in-kind contributions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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, 2022 and 2021 totaled \$1,273,358 and \$218,864, respectively. Prepaid costs of future performances include prepaid advertising expense totaling \$134,783 and \$99,035 at December 31, 2022 and 2021, respectively.

Leases – The Company determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets are also adjusted for prepaid or accrued rent, and initial direct costs of obtaining a lease. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses their incremental borrowing rate to discount future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term, whereas the expense associated with financing leases is reported in interest expense and depreciation and amortization. Lease terms may include options to renew, extend or terminate to the extent that they are reasonably certain to be exercised. The Company does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Income tax status – BWYSAC is a nonprofit company 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 Company 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 consolidated financial statements.

Functional allocation of expenses – The Company's operational expenses are summarized on a functional basis in the consolidated statements of activities and functional expenses. For the years ended December 31, 2022 and 2021, 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.

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.

Recent accounting pronouncements – Effective January 1, 2022, the Company adopted Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective approach with January 1, 2022 as the date of initial adoption. ASC 842 is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. For leases existing at the transition date, the Company applied the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost.

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of operating ROU assets and lease liabilities of \$776,376; and financing ROU assets and lease liabilities of \$8,974,415 and \$6,333,707, respectively, as of January 1, 2022. There is no cumulative effect adjustment to net assets at the transition date.

Effective for the year ended December 31, 2022, and applied retrospectively, the Company implemented Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosures.

Subsequent events have been reviewed through May 10, 2023, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2022, that require recognition or disclosure in the financial statements.

Reclassification – Certain 2021 amounts have been reclassified to conform with the 2022 consolidated financial statement presentation.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,822,084	\$ 17,011,182
Investments	4,202,900	814,351
Certificates of deposit	1,456,000	
Accounts receivable, net	1,498,953	35,488
Pledges receivable, current	102,957	11,725
Total financial assets available within one year	<u>13,082,894</u>	<u>17,872,746</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose or time restrictions	<u>(314,504)</u>	<u>(22,157)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 12,768,390</u>	<u>\$ 17,850,589</u>

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 through January for the Broadway At Music Circus season and December through January and July through 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. BWYSAC holds several employee credit cards from its primary financial institution. The bank requires BWYSAC to maintain a minimum balance of \$300,000 as collateral to secure the indebtedness incurred on the credit cards.

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. PLEDGES RECEIVABLE

The Company recognizes pledges receivable at their estimated fair value, on a nonrecurring basis, at the time the pledge is made. Fair value is determined by calculating the net present value of the estimated future cash flows. The discount rates used in determining the net present value of pledges receivable was 4.5% at December 31, 2022.

Pledges receivable consists of the following:

	<u>2022</u>	<u>2021</u>
Gross pledges receivable	\$ 389,944	\$ 11,725
Less: Unamortized discount	<u>(24,317)</u>	<u> </u>
Total	<u>\$ 365,627</u>	<u>\$ 11,725</u>

Pledges receivable are due to be collected as follows:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 102,957	\$ 11,725
In one to five years	<u>262,670</u>	<u> </u>
Total	<u>\$ 365,627</u>	<u>\$ 11,725</u>

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

4. INVESTMENTS

Investments consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 15,421	
Mutual funds – equity funds:		
Large blend	186,832	\$ 221,776
Mid-cap blend	100,726	121,772
Small blend	36,648	48,233
Large growth	26,792	43,636
Large value	43,275	45,531
Mutual funds – fixed income:		
Intermediate	224,329	259,902
Mutual funds – non-traditional:		
Options based	38,004	43,113
Equity	3,965	
Fixed Income:		
U.S. Treasury bonds	1,525,154	
U.S. Agency bonds	2,001,754	
Total	<u>\$ 4,202,900</u>	<u>\$ 783,963</u>

Interest and investment income (loss) consist of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 85,028	\$ 29,810
Net realized and unrealized gain (loss) on investments	<u>(209,092)</u>	<u>75,518</u>
Total	<u>\$ (124,064)</u>	<u>\$ 105,328</u>

5. 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).

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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.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

The Company's assets subject to recurring fair value measurements are classified as follows:

Year ended December 31, 2022:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 15,421		
Mutual funds	656,606		
Equity	3,965		
U.S Treasury bonds	1,525,154		
U.S. Agency bonds		\$ 2,001,754	
Total	<u>\$ 2,201,146</u>	<u>\$ 2,001,754</u>	<u>\$</u>
Year ended December 31, 2021:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 814,351		
Total	<u>\$ 814,351</u>	<u>\$</u>	<u>\$</u>

The Company's investments in cash equivalents, mutual funds, equity, and U.S. Treasury bonds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. U.S. Agency bonds are valued using the spread above the risk-free yield curve, rather than quoted market prices, and therefore are classified within Level 2.

BROADWAY SACRAMENTO AND AFFILIATE

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6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 470,282	\$ 15,062,078
Machinery and equipment	2,226,250	2,152,878
Land		1,130,049
Furniture and fixtures	746,130	716,931
Leasehold improvements	494,915	495,492
Autos and trucks	204,166	133,817
Costumes	73,282	73,282
Construction in progress	434,056	
Total	<u>4,649,081</u>	<u>19,764,527</u>
Less accumulated depreciation	<u>(2,953,537)</u>	<u>(9,567,159)</u>
Total	<u>\$ 1,695,544</u>	<u>\$ 10,197,368</u>

Land with a value of \$1,130,049, and buildings and improvements with a cost of \$14,591,796 and a book value of \$7,808,775 at January 1, 2022, which were previously recorded as property and equipment, were reclassified as financing ROU assets upon implementation of Topic 842.

7. LEASE COMMITMENTS

Operating leases

The Company leases office space and other facility space under two non-cancellable operating lease agreements expiring in 2024. Neither lease includes an option to extend or early-terminate the lease. These leases are included on the December 31, 2022 statement of financial position as ROU assets and lease liability of \$516,710 and \$497,789, respectively. Lease expense for 2022 totaled \$300,440. Cash paid for amounts included in the measurement of operating lease liabilities totaled \$339,379 for 2022.

The Company utilized their incremental borrowing rate of 4.87% as the discount rate for these operating leases. As of December 31, 2022, the weighted-average remaining lease term for all operating leases is 1.74 years.

Financing leases

The Company leases two copy machines with terms expiring in 2025 and 2027. The organization also leases land and building facilities in Sacramento (H Street Project, see Note 8) that house its Music Circus productions, as well as other operating activities. The H Street Property lease extends through 2032. None of these leases include options to extend or early-terminate the lease, however the H Street lease does allow BWYSAC to prepay any or all base rental payments starting after March 1, 2026. These leases are included on the December 31, 2022 statement of financial position as financing ROU assets and financing lease liability of \$8,790,433 and \$5,897,763, respectively. For the year ended December 31, 2022, amortization and interest expense totaled \$392,764 and \$175,000, respectively. Cash paid for amounts included in the measurement of financing lease liabilities totaled \$681,970 for 2022.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The Company utilized its incremental borrowing rate of 4.87% as the discount rate for the two copier leases, and utilized the interest rate implicit in the H Street Property lease agreement of 2.84% as the discount rates for these financing leases. The weighted-average discount rate associated with these financing leases as of December 31, 2022 is 2.87%. As of December 31, 2022, the weighted-average remaining lease term for all financing leases is 9.60 years.

Maturities of the lease liabilities for these lease are as follows:

<u>Year Ending December 31:</u>	<u>Operating</u>	<u>Financing</u>
2023	\$ 317,940	\$ 694,362
2024	200,281	694,807
2025		691,064
2026		686,967
2027		687,199
Thereafter		<u>3,358,003</u>
Total lease payments	518,221	6,812,402
Less amounts representing interest	<u>(20,432)</u>	<u>(914,639)</u>
Present value of lease liabilities	<u>\$ 497,789</u>	<u>\$ 5,897,763</u>

Prior to the implementation of ASC 842 in 2022, leases were accounted for in accordance with the previous lease standard, ASC 840. Total rent expense for all operating leases under ASC 840 was \$303,319 for 2021.

8. H STREET PROJECT

The Company's Broadway At Music Circus theatre (UC Davis Health 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 UC Davis Health 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 was initially accounted for under ASC 840 as a capital lease. Under ASC 842, beginning in 2022, it has now been accounted for as a financing ROU asset and lease liability.

The assets resulting from the financing 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.

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, through 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 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.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

STC is required to generate at least \$66,000 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 over a three-year period 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 for years ending December 31, 2021 and 2022. 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 \$66,000 and \$99,000 for the years ended December 31, 2022 and 2021, respectively. The Company accounts for the Facility Sublease as an operating lease.

9. NOTE PAYABLE

The Company 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:

2023	\$	14,415
2024		<u>1,224</u>
Total	\$	<u>15,639</u>

10. COVID-19 RELIEF FUNDING

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 (PPFPA) signed into law in June 2020. Under the CARES Act, as modified by PPFPA, 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.

The Company received notification that \$456,077 of this loan was forgiven by the SBA on April 14, 2021 and it was therefore recognized as income in 2021. The remaining loan was payable in monthly principal and interest installment payments of \$3,652 through May 2022.

In April 2021, the Company received a second PPP loan totaling \$363,100 under the same terms and conditions per the CARES Act and PPFPA. The Company received notification that its application for loan forgiveness was approved on December 22, 2021, and the loan amount was therefore recognized as income in the year ended December 31, 2021.

The Shuttered Venue Operators Grant (SVOG) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. SVOG provides support for the ongoing operations of eligible live venues and operators, live venue promoters, theatrical producers, talent representatives, live performing arts organization operators, museums and motion picture theaters during the uncertain economic conditions caused by

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

the COVID-19 pandemic. During the year ended December 31, 2021, BWYSAC applied for, and received, \$9,636,900 in SVOG funding. \$2,732,323 and \$6,904,577 was recognized in revenue in 2022 and 2021 respectively through incurrence of qualifying operating expenses.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company's revenue from contracts with customers consists of ticket sales, box office handling fees, UC Davis Health Pavilion naming rights revenue, facility fees and other revenues designated for the H Street project, concessions, program advertising, and costume rentals and other income.

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 and naming rights revenue, 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.

For the year ended December 31, 2022, revenue recognized for goods and services transferred at a point in time and for services transferred over time totaled \$18,737,396 and \$448,215, respectively. For the year ended December 31, 2021, revenue recognized for goods and services transferred at a point in time and for services transferred over time totaled \$10,658,261 and \$57,466, respectively.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Receivables	\$ 60,343	\$ 35,488	\$ 2,114
Contract liabilities:			
Deferred revenue	\$ 6,901,588	\$ 9,905,932	\$ 4,811,299

Deferred revenue is primarily from ticket sales and is expected to be recognized in the following year.

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 2022 and 2021 of \$336,519 and \$439,543, respectively.

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

12. IN-KIND CONTRIBUTIONS

The Company received the following in-kind contributions for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Goods and services	\$ 30,500	\$ 2,447
Catering	24,439	6,750
Professional fees	26,748	24,717
Landscaping service	14,754	27,600
Advertising	<u>9,030</u>	<u> </u>
Total	<u>\$ 105,471</u>	<u>\$ 61,514</u>

The Company receives donated goods and services, catering, professional fees, landscaping, and advertising. Goods and services consist of general supplies and raffle and auction item donations. Donated catering includes various food and drink for program and fundraising events. All donated items were valued based upon estimates of fair market values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods were contributed by the donor. All auction and raffle items donated during the year ended December 31, 2022, were sold at fundraising events during the year received. Auction and raffle items donated in the year ended December 31, 2021 were sold at fundraising events in the year ending December 31, 2022, due to the fundraiser cancellation in 2021 because of the COVID-19 pandemic.

The Company's policy related to in-kind contributions is to utilize the assets given to carry out their mission. All in-kind contributions received by the Company for the years ended December 31, 2022, and 2021 were considered without donor restrictions and able to be used by the Company as determined by management.

13. 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. Contributions for the Plan's June 30, 2022 and 2021 year-ends were \$127,567 and \$144,287, respectively. The next contribution date will not take place until the Plan year-end of June 30, 2023.

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

14. INSURANCE RECOVERIES FOR FIRE DAMAGE

On June 24, 2022, an electrical fire occurred at the 1419 H Street location impacting use of the box office. To restore power the Company incurred substantial expenses for temporary power generator connection, generator rental, fuel, and security. Power to the building is still being supplied by the generator, and the condition is expected to continue at least until June 2023.

The Company's insurance policies provided coverage for the fire-related expenses, as well as expenses necessary to remain operational. As of December 31, 2022, the Company had incurred \$1,523,146 in fire-related expenses. Insurance claims revenue was recorded in the amount of \$1,562,923, of which \$1,427,610 were receivables outstanding as of December 31, 2022.

15. RELATED PARTY TRANSACTIONS

A Board member of Broadway Sacramento is the president and co-founder of an advertising firm that performs advertising services for the Company. Broadway Sacramento incurred \$26,000 in advertising costs with this firm during 2022: \$20,000 paid for in cash, \$4,000 was donated by the firm, and \$2,000 was in ticket trade. In addition, this advertising firm helped facilitate the naming rights agreement for the UC Davis Health Pavilion between the Company and UC Davis Health during the year. As a result, the advertising firm will receive a 7.5% commission each year of the agreement (through 2026) for their efforts on this naming rights agreement. Commissions paid to the firm for the year ended December 31, 2022 totaled \$23,219.

SUPPLEMENTARY INFORMATION

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL DECEMBER 31, 2022

	<u>BWYSAC</u>	<u>Foundation</u>	<u>Consolidated</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 5,778,598	\$ 43,486	\$ 5,822,084
Restricted cash	671,525		671,525
Prepaid expenses	521,412		521,412
Accounts receivable	1,498,953		1,498,953
Pledges receivable	102,957		102,957
Other current assets	203,430		203,430
Total current assets	8,776,875	43,486	8,820,361
NONCURRENT ASSETS:			
Restricted cash	1,042,303		1,042,303
Investments	3,544,295	658,605	4,202,900
Certificates of deposit	1,456,000		1,456,000
Contributions receivable, net	262,670		262,670
Property and equipment, net	1,695,544		1,695,544
Operating lease, right-of-use assets	516,710		516,710
Financing lease, right-of-use assets	8,790,272		8,790,272
Other assets	212,569	20,387	232,956
TOTAL ASSETS	\$ 26,297,238	\$ 722,478	\$ 27,019,716
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 157,279		\$ 157,279
Accrued expenses	922,065		922,065
Current portion of note payable	14,415		14,415
Deferred revenue	6,901,588		6,901,588
Current portion of operating lease liability	302,447		302,447
Current portion of financing lease liability	529,231		529,231
Total current liabilities	8,827,025		8,827,025
NONCURRENT LIABILITIES:			
Note payable, net	1,224		1,224
Long-term portion of operating lease liability	195,342		195,342
Long-term portion of financing lease liability	5,368,532		5,368,532
Total liabilities	14,392,123		14,392,123
NET ASSETS:			
Without donor restrictions	11,490,628	\$ 702,091	12,192,719
With donor restrictions	414,487	20,387	434,874
Total net assets	11,905,115	722,478	12,627,593
TOTAL LIABILITIES AND NET ASSETS	\$ 26,297,238	\$ 722,478	\$ 27,019,716

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPLEMENTAL DECEMBER 31, 2021

	<u>BWYSAC</u>	<u>Foundation</u>	<u>Consolidated</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 16,978,637	\$ 32,545	\$ 17,011,182
Restricted cash	670,725		670,725
Prepaid expenses	654,881		654,881
Accounts receivable	35,488		35,488
Pledges receivable	11,725		11,725
Other current assets	163,943		163,943
Total current assets	18,515,399	32,545	18,547,944
NONCURRENT ASSETS:			
Restricted cash	201,536		201,536
Investments		783,963	783,963
Certificates of deposit		30,388	30,388
Property and equipment, net	10,197,368		10,197,368
Other assets	240,810	23,197	264,007
TOTAL ASSETS	\$ 29,155,113	\$ 870,093	\$ 30,025,206
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 159,465		\$ 159,465
Accrued expenses	1,093,603		1,093,603
Current portion of capital lease obligation	477,562		477,562
Current portion of note payable	13,935		13,935
Paycheck Protection Program loan	18,220		18,220
Current portion of deferred revenue	9,905,932		9,905,932
Refundable advances	2,875,419		2,875,419
Total current liabilities	14,544,136		14,544,136
NONCURRENT LIABILITIES:			
Note payable, net	15,639		15,639
Capital lease obligation, net	5,640,622		5,640,622
Total liabilities	20,200,397		20,200,397
NET ASSETS:			
Without donor restrictions	8,927,309	\$ 846,896	9,774,205
With donor restrictions	27,407	23,197	50,604
Total net assets	8,954,716	870,093	9,824,809
TOTAL LIABILITIES AND NET ASSETS	\$ 29,155,113	\$ 870,093	\$ 30,025,206

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES - SUPPLEMENTAL YEAR ENDED DECEMBER 31, 2022

NET ASSETS WITHOUT DONOR RESTRICTIONS:	<u>BWYSAC</u>	<u>Foundation</u>	<u>Consolidated</u>
REVENUES:			
Ticket sales	\$ 16,783,490		\$ 16,783,490
Contributions	1,797,515		1,797,515
Box office handling	1,067,698		1,067,698
Facility fees and other revenues designated for H Street project	449,206		449,206
Concessions	323,396		323,396
Naming rights revenue	259,999		259,999
Program advertising	188,216		188,216
Costume rentals and other	113,606		113,606
In-kind revenue	101,164	\$ 4,307	105,471
Interest and investment income	7,336	(131,400)	(124,064)
Net assets released from restrictions	27,407		27,407
Total revenues	<u>21,119,033</u>	<u>(127,093)</u>	<u>20,991,940</u>
EXPENSES:			
Theatrical productions	17,441,898		17,441,898
Educational programs	393,609		393,609
Total program expenses	17,835,507		17,835,507
Supporting services:			
General and administrative expenses	2,882,906	17,712	2,900,618
Fundraising	569,624		569,624
Total expenses	<u>21,288,037</u>	<u>17,712</u>	<u>21,305,749</u>
LOSS FROM OPERATIONS	(169,004)	(144,805)	(313,809)
Federal grants	2,732,323		2,732,323
Insurance recoveries	1,562,923		1,562,923
Loss from fire damage	(1,523,146)		(1,523,146)
Loss from disposal of fixed assets	(39,777)		(39,777)
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,563,319</u>	<u>(144,805)</u>	<u>2,418,514</u>
NET ASSETS WITH DONOR RESTRICTIONS:			
Contributions	414,487	(2,810)	411,677
Net assets released from restrictions	(27,407)		(27,407)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>387,080</u>	<u>(2,810)</u>	<u>384,270</u>
INCREASE (DECREASE) IN NET ASSETS	2,950,399	(147,615)	2,802,784
NET ASSETS, Beginning of Year	<u>8,954,716</u>	<u>870,093</u>	<u>9,824,809</u>
NET ASSETS, End of Year	<u>\$ 11,905,115</u>	<u>\$ 722,478</u>	<u>\$ 12,627,593</u>

BROADWAY SACRAMENTO AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES - SUPPLEMENTAL YEAR ENDED DECEMBER 31, 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS:	<u>BWYSAC</u>	<u>Foundation</u>	<u>Consolidated</u>
REVENUES:			
Ticket sales	\$ 9,512,142		\$ 9,512,142
Contributions	1,118,223		1,118,223
Box office handling	1,010,568		1,010,568
Facility fees and other revenues designated for H Street project	100,100		100,100
Program advertising	57,466		57,466
Costume rentals and other	35,451		35,451
In-kind	50,818	\$ 10,696	61,514
Interest and investment income	16,089	89,239	105,328
Net assets released from restrictions	<u>17,718</u>		<u>17,718</u>
Total revenues	<u>11,918,575</u>	<u>99,935</u>	<u>12,018,510</u>
EXPENSES:			
Theatrical productions	10,182,927		10,182,927
Educational programs	<u>123,349</u>		<u>123,349</u>
Total program expenses	10,306,276		10,306,276
Supporting services:			
General and administrative expenses	2,390,183	19,484	2,409,667
Fundraising	<u>241,241</u>		<u>241,241</u>
Total expenses	<u>12,937,700</u>	<u>19,484</u>	<u>12,957,184</u>
INCOME (LOSS) FROM OPERATIONS	(1,019,125)	80,451	(938,674)
Federal grants	6,904,577		6,904,577
Payroll Protection Program loan forgiveness	<u>819,177</u>		<u>819,177</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>6,704,629</u>	<u>80,451</u>	<u>6,785,080</u>
NET ASSETS WITH DONOR RESTRICTIONS:			
Contributions	16,125	1,315	17,440
Net assets released from restrictions	<u>(17,718)</u>		<u>(17,718)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(1,593)</u>	<u>1,315</u>	<u>(278)</u>
INCREASE IN NET ASSETS	6,703,036	81,766	6,784,802
NET ASSETS, Beginning of Year	<u>2,251,680</u>	<u>788,327</u>	<u>3,040,007</u>
NET ASSETS, End of Year	<u>\$ 8,954,716</u>	<u>\$ 870,093</u>	<u>\$ 9,824,809</u>

BROADWAY SACRAMENTO AND AFFILIATE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

	<u>Assistance Listing Number</u>	<u>Pass- Through Number</u>	<u>Federal Expenditures</u>
Small Business Administration:			
COVID-19 Shuttered Venue Operators Grant Program	59.075	N/A	<u>\$ 2,732,323</u>
Total Expenditures of Federal Awards			<u>\$ 2,732,323</u>

BROADWAY SACRAMENTO AND AFFILIATE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of Broadway Sacramento (the Company) is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. INDIRECT COST RATE

The Company elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Broadway Sacramento and Affiliate (the Company), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 10, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

May 10, 2023

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Broadway Sacramento and Affiliate’s (the Company) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Company’s major federal programs for the year ended December 31, 2022. The Company’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Company’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Company’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Broadway Sacramento and Affiliate's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

May 10, 2023

BROADWAY SACRAMENTO AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes No
- Significant deficiency(ies) identified? _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes No
- Significant deficiency(ies) identified? _____ Yes None reported

Type of auditor's report issued: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ Yes No

Identification of major program:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Shuttered Venue Operator's Grant	59.075
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000

Auditee qualified as low-risk auditee? _____ Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

None noted.