

Consolidated Financial Statements
Together with Report of Independent
Certified Public Accountants

The Actors' Fund of America and Subsidiaries

December 31, 2021 and 2020

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated statements of financial position	5
Consolidated statements of activities	6
Consolidated statements of functional expenses	8
Consolidated statements of cash flows	10
Notes to consolidated financial statements	11

GRANT THORNTON LLP

757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100

F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
The Actors' Fund of America and Subsidiaries:

Report on the financial statements**Opinion**

We have audited the consolidated financial statements of The Actors' Fund of America and subsidiaries ("The Actors Fund"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Actors Fund as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Actors Fund 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 The Actors Fund's ability to continue as a going concern for one year after the date 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, 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 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 Actors Fund'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 Actors Fund'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.

Grant Thornton LLP

New York, New York
May 26, 2022

The Actors' Fund of America and Subsidiaries
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31,

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 34,331,791	\$ 32,296,402
Restricted cash	1,437,926	944,450
Accounts and other receivables, less allowance for doubtful accounts of \$245,000 in 2021 and 2020	3,373,039	3,552,765
Bequests, contributions and pledges receivable, net (Note 2)	4,810,022	3,646,033
Prepaid expenses and other assets (Note 8)	3,429,462	1,543,739
Long-term investments (Note 3)	23,912,599	20,965,026
Annuity and trust investments (Note 4)	8,078,007	7,306,450
Perpetual trusts (Note 5)	6,678,183	6,117,119
Property and equipment, net (Note 6)	64,653,851	66,338,661
	\$ 150,704,880	\$ 142,710,645
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 5,235,432	\$ 6,046,881
Deferred revenue	910,059	857,714
Annuities and trust payable (Note 4)	6,182,170	5,831,203
Deferred rent (Note 9)	3,078,579	3,175,254
Other liabilities	1,438,792	1,489,336
Bonds, notes, and mortgages payable, net (Note 7)	32,667,506	36,700,290
Paycheck Protection Program loan (Note 7)	-	4,738,132
Postretirement benefit obligations, net of plan assets of \$15,508,865 and \$14,206,595 in 2021 and 2020, respectively (Note 8)	5,443,283	7,138,846
	54,955,821	65,977,656
Total liabilities	54,955,821	65,977,656
Commitments and contingencies (Note 9)		
Net assets (deficit) (Note 10)		
Without donor restrictions	57,493,828	48,129,349
Without donor restrictions - non-controlling interest (Note 2)	2,179,406	(1,322,901)
With donor restrictions (Notes 2 and 10)	36,075,825	29,926,541
	95,749,059	76,732,989
Total net assets	95,749,059	76,732,989
Total liabilities and net assets	\$ 150,704,880	\$ 142,710,645

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

The Actors' Fund of America and Subsidiaries

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Support and revenues:			
Contributions and private grants	\$ 15,733,631	\$ 769,500	\$ 16,503,131
Special events	4,295,803	-	4,295,803
BC/EFA grants (Note 2)	7,262,500	-	7,262,500
Bequests	3,859,849	-	3,859,849
Grant, contract, and fee income	8,308,347	-	8,308,347
Housing rental revenue	2,953,729	-	2,953,729
Patient and resident services revenue (Note 2)	15,865,439	-	15,865,439
Investment return designated for operations (Note 3)	169,000	-	169,000
Net assets released from restrictions (Note 2)	290,000	(290,000)	-
	<u>58,738,298</u>	<u>479,500</u>	<u>59,217,798</u>
Total support and revenues			
	<u>58,738,298</u>	<u>479,500</u>	<u>59,217,798</u>
Expenses			
Program services:			
Social services	15,368,919	-	15,368,919
Employment and training	2,626,193	-	2,626,193
Health services	2,562,732	-	2,562,732
Housing	6,395,841	-	6,395,841
Patient and resident services	20,014,600	-	20,014,600
	<u>46,968,285</u>	<u>-</u>	<u>46,968,285</u>
Total program services			
	<u>46,968,285</u>	<u>-</u>	<u>46,968,285</u>
Supporting services:			
General and administrative	1,398,726	-	1,398,726
Advancement	4,889,871	-	4,889,871
	<u>6,288,597</u>	<u>-</u>	<u>6,288,597</u>
Total supporting services			
	<u>6,288,597</u>	<u>-</u>	<u>6,288,597</u>
Total expenses			
	<u>53,256,882</u>	<u>-</u>	<u>53,256,882</u>
Changes in net assets from operating activities			
	<u>5,481,416</u>	<u>479,500</u>	<u>5,960,916</u>
Nonoperating activities			
Change in value of split-interest agreements	(2,711)	273,985	271,274
Investment gain, net of amounts designated for current operations (Note 3)	1,119,957	2,523,897	3,643,854
Pension benefit related activities, other than net periodic pension cost	1,799,701	-	1,799,701
Grants, contributions and pledges for capital, net of release of restricted funds for capital expenditures	200,004	2,871,902	3,071,906
Interest expense	(165,900)	-	(165,900)
980 North Palm LP contribution (Note 2)	4,627,144	-	4,627,144
Loss on extinguishment of debt	(192,825)	-	(192,825)
	<u>7,385,370</u>	<u>5,669,784</u>	<u>13,055,154</u>
Total nonoperating activities			
	<u>7,385,370</u>	<u>5,669,784</u>	<u>13,055,154</u>
Changes in net assets			
	<u>12,866,786</u>	<u>6,149,284</u>	<u>19,016,070</u>
Net assets, beginning of year	<u>46,806,448</u>	<u>29,926,541</u>	<u>76,732,989</u>
Net assets, end of year	<u>\$ 59,673,234</u>	<u>\$ 36,075,825</u>	<u>\$ 95,749,059</u>

The accompanying notes are an integral part of this consolidated financial statement.

The Actors' Fund of America and Subsidiaries
CONSOLIDATED STATEMENT OF ACTIVITIES - CONTINUED
For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Support and revenues:			
Contributions and private grants	\$ 43,976,369	\$ 284,057	\$ 44,260,426
Special events	1,837,663	-	1,837,663
BC/EFA grants (Note 2)	13,380,000	-	13,380,000
Bequests	3,118,346	-	3,118,346
Grant, contract, and fee income	5,202,791	-	5,202,791
Housing rental revenue	2,635,016	-	2,635,016
Patient and resident services revenue (Note 2)	16,574,248	-	16,574,248
Investment return designated for operations (Note 3)	372,933	750,388	1,123,321
Net assets released from restrictions (Note 2)	854,545	(854,545)	-
	<u>87,951,911</u>	<u>179,900</u>	<u>88,131,811</u>
Expenses			
Program services:			
Social services	28,746,487	-	28,746,487
Employment and training	2,262,567	-	2,262,567
Health services	2,222,674	-	2,222,674
Housing	5,781,202	-	5,781,202
Patient and resident services	20,119,591	-	20,119,591
	<u>59,132,521</u>	<u>-</u>	<u>59,132,521</u>
Supporting services:			
General and administrative	1,441,048	-	1,441,048
Advancement	4,660,999	-	4,660,999
	<u>6,102,047</u>	<u>-</u>	<u>6,102,047</u>
Total expenses	<u>65,234,568</u>	<u>-</u>	<u>65,234,568</u>
Changes in net assets from operating activities	<u>22,717,343</u>	<u>179,900</u>	<u>22,897,243</u>
Nonoperating activities			
Change in value of split-interest agreements	(7,465)	411,278	403,813
Investment gain, net of amounts designated for current operations (Note 3)	104,802	410,076	514,878
Pension benefit related activities, other than net periodic pension cost	(1,835,463)	-	(1,835,463)
Grants, contributions and pledges for capital, net of release of restricted funds for capital expenditures	760,075	2,653,605	3,413,680
Interest	(271,012)	-	(271,012)
	<u>(1,249,063)</u>	<u>3,474,959</u>	<u>2,225,896</u>
Changes in net assets	<u>21,468,280</u>	<u>3,654,859</u>	<u>25,123,139</u>
Net assets, beginning of year	<u>25,338,168</u>	<u>26,271,682</u>	<u>51,609,850</u>
Net assets, end of year	<u>\$ 46,806,448</u>	<u>\$ 29,926,541</u>	<u>\$ 76,732,989</u>

The accompanying notes are an integral part of this consolidated financial statement.

The Actors' Fund of America and Subsidiaries
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	<u>Program Services</u>					<u>Supporting Services</u>		<u>Total</u>
	<u>Social Services</u>	<u>Employment and Training</u>	<u>Health Services</u>	<u>Housing</u>	<u>Patient and Resident Services</u>	<u>General and Administration</u>	<u>Advancement</u>	
Program activities and financial assistance	\$ 6,876,672	\$ 182,558	\$ 753,709	\$ 931,002	\$ 3,243,469	\$ -	\$ -	\$ 11,987,410
Fundraising and events	-	-	-	-	-	-	1,445,046	1,445,046
Payroll and benefits	6,088,089	1,810,500	1,212,881	1,465,965	12,150,224	828,106	2,191,595	25,747,360
General office	587,223	153,440	134,348	676,237	1,184,746	250,123	386,102	3,372,219
Professional fees and outside services	449,800	91,676	99,731	1,064,914	318,285	100,309	202,455	2,327,170
Occupancy and facilities	1,048,885	305,548	302,898	860,913	886,216	171,331	505,312	4,081,103
Interest expense	760	211	163	214,640	535,801	213	448	752,236
Depreciation and amortization	317,490	82,260	59,002	1,182,170	1,695,859	48,644	158,913	3,544,338
	<u>\$ 15,368,919</u>	<u>\$ 2,626,193</u>	<u>\$ 2,562,732</u>	<u>\$ 6,395,841</u>	<u>\$ 20,014,600</u>	<u>\$ 1,398,726</u>	<u>\$ 4,889,871</u>	<u>\$ 53,256,882</u>

The accompanying notes are an integral part of this consolidated financial statement.

The Actors' Fund of America and Subsidiaries
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED
For the year ended December 31, 2020

	<u>Program Services</u>					<u>Supporting Services</u>		<u>Total</u>
	<u>Social Services</u>	<u>Employment and Training</u>	<u>Health Services</u>	<u>Housing</u>	<u>Patient and Resident Services</u>	<u>General and Administration</u>	<u>Advancement</u>	
Program activities and financial assistance	\$ 19,236,163	\$ 260,006	\$ 920,257	\$ 916,848	\$ 3,470,220	\$ -	\$ -	\$ 24,803,494
Fundraising and events	-	-	-	-	-	-	1,359,127	1,359,127
Payroll and benefits	7,041,827	1,365,464	847,408	1,161,109	11,978,471	773,050	2,090,721	25,258,050
General office	607,098	155,566	111,572	681,977	1,351,750	156,159	338,172	3,402,294
Professional fees and outside services	461,248	91,344	83,282	1,544,903	299,470	115,072	217,702	2,813,021
Occupancy and facilities	1,112,762	317,141	214,913	787,866	798,265	253,485	503,885	3,988,317
Interest expense	939	265	140	43,638	553,631	21,761	409	620,783
Depreciation and amortization	286,450	72,781	45,102	644,861	1,667,784	121,521	150,983	2,989,482
	<u>\$ 28,746,487</u>	<u>\$ 2,262,567</u>	<u>\$ 2,222,674</u>	<u>\$ 5,781,202</u>	<u>\$ 20,119,591</u>	<u>\$ 1,441,048</u>	<u>\$ 4,660,999</u>	<u>\$ 65,234,568</u>

The accompanying notes are an integral part of this consolidated financial statement.

The Actors' Fund of America and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2021	2020
Cash flows from operating activities:		
Changes in net assets	\$ 19,016,070	\$ 25,123,139
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,544,338	2,989,482
Change in allowance and discount on bequests, contributions and pledges receivable	(29,986)	61,692
Change in provision for doubtful accounts	-	47,446
Interest on notes payable	161,457	66,571
Net realized and unrealized losses on investments	(3,275,130)	(1,095,854)
Loss on extinguishment of debt	192,825	-
Contributions restricted to annuity agreements, endowments and capital, including donated securities	(4,107,553)	(1,099,469)
Changes in operating assets and liabilities:		
Restricted cash	(493,476)	210,918
Accounts and other receivables	179,726	(1,320,628)
Bequests, contributions and pledges receivable	(1,134,003)	(2,691,093)
Annuity and trust investments	(771,557)	(288,612)
Prepaid expenses and other assets	(1,889,127)	(167,097)
Accounts payable and accrued expenses	(1,094,515)	1,141,628
Deferred revenue	52,345	519,138
Annuities and trust payable	350,967	95,773
Deferred rent	(96,675)	243,992
Other liabilities	(37,461)	(141,272)
Paycheck Protection Program loan	(4,738,132)	-
Postretirement benefit obligations	(1,695,563)	1,598,351
	4,134,550	25,294,105
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from maturities and sales of investments	8,238,414	4,596,691
Purchases of investments	(7,910,856)	(3,687,967)
Acquisition of property and equipment	(1,548,726)	(7,074,945)
	(1,221,168)	(6,166,221)
Net cash used in investing activities		
Cash flows from financing activities:		
Contributions restricted to annuity agreements and endowments, and capital, including donated securities	4,107,553	1,099,469
Payments on line of credit	-	(1,000,000)
Proceeds from Paycheck Protection Program	-	4,738,132
Principal payments on capital lease obligations	(13,083)	(23,412)
Proceeds from construction loan	-	6,806,148
Payoff of construction loan	(4,476,000)	-
Proceeds from note payable	1,000,000	-
Payment on financing cost	(76,910)	(285,477)
Principal payments on bonds and mortgages payable	(858,489)	(823,844)
Increase in perpetual trusts	(561,064)	(518,329)
	(877,993)	9,992,687
Net cash (used in) provided by financing activities		
Net increase in cash and cash equivalents	2,035,389	29,120,571
Cash and cash equivalents, beginning of year	32,296,402	3,175,831
Cash and cash equivalents, end of year	\$ 34,331,791	\$ 32,296,402
Supplemental disclosure of cash flow information:		
Equipment acquired under capital lease obligations	\$ 28,941	\$ -
Cash paid for interest	\$ 574,387	\$ 615,283
Construction costs included in accounts payable and accrued expenses	\$ 283,066	\$ 136,363

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

The Actors' Fund of America and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1 - ORGANIZATION

The Actors' Fund of America ("The Actors Fund"), founded in 1882, is a national human services organization to meet the needs of the entertainment community. The Actors Fund fosters stability and resiliency, and provides a safety net for performing arts and entertainment professionals over their lifespan. Through its offices in New York, Los Angeles and Chicago, The Actors Fund provides services including social services and emergency financial assistance, health care and insurance counseling, senior care, affordable housing, and secondary career development.

Actors Fund Housing Development Corporation ("AFHDC"), a subsidiary, was established in 2009 to provide the performing arts and entertainment community with access to affordable housing.

The Actors Fund owns and operates The Actors Fund Home ("The Home"), a 169-bed residence consisting of Short-Stay rehabilitation, Assisted Living & Memory Care, and Skilled Nursing in Englewood, New Jersey.

The Actors Fund is a co-General Partner of The Schermerhorn, a 217-unit affordable housing residence in Brooklyn, New York, in partnership with Breaking Ground Housing Development Fund Corporation.

AFHDC, through its single member LLC, Friedman Residence, LLC, is sole owner of The Dorothy Ross Friedman Residence ("Friedman Residence") in Manhattan, New York. Friedman Residence is a 30 story, 178-unit affordable housing building that provides supportive housing to special low-income groups including seniors, working professionals and people living with HIV/AIDS. Since its opening in February 1996, The Actors Fund has been providing on-site social services to residents.

AFHDC is the Administrative General Partner of 980 North Palm, L.P. ("Partnership"), a California Limited Partnership, through its single member LLC, Actors Fund 980 North Palm, LLC. The Partnership owns and operates the Palm View Residence ("Palm View Residence") in West Hollywood, California, a 40-unit apartment complex that provides homes to low-income people with disabilities or who are living with HIV/AIDS. AFHDC, as Administrative General Partner, maintains significant influence over the Partnership.

AFHDC is Managing General Partner of The Hollywood Arts Collective L.P. In partnership with Thomas Safran & Associate, 151-unit affordable housing residence being developed in Hollywood, California.

The Actors Fund and AFHDC are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and are not private foundations within Section 509(a) of the Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying consolidated financial statements, which include the consolidated statements of financial position and changes in net assets, functional expenses, and cash flows of The Actors Fund and AFHDC (collectively, "The Actors Fund"), have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant intercompany accounts and transactions have been eliminated in preparing the accompanying consolidated financial statements.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Net Assets

The Actors Fund's net assets, support and revenues are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, the net assets of The Actors Fund and changes therein are classified as follows:

Without donor restrictions - Net assets that are expendable for any purpose in performing the primary objectives of The Actors Fund. Included in net assets without donor restrictions is the non-controlling interest relating to the Partnership.

With donor restrictions - Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. When a donor restriction expires, that is, when a purpose restriction is fulfilled or a time restriction ends, such net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

At December 31, 2021, net assets with donor restrictions include \$7,007,215 of purpose restricted funds and \$7,331,245 restricted as to the passage of time. At December 31, 2020, net assets with donor restrictions include \$4,006,835 of purpose restricted funds and \$4,750,905 restricted as to the passage of time. During the years ended December 31, 2021 and 2020, amounts released from restrictions represent funds spent for the donor-stipulated purpose and/or the passage of time.

Another portion of net assets with donor restrictions stipulates that the corpus of the gifts be maintained in perpetuity but allows for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes. At December 31, 2021, net assets with donor restrictions include \$15,059,182 restricted to investment in endowment funds, and \$6,678,183 of perpetual trusts established by several donors. At December 31, 2020, net assets with donor restrictions include \$15,051,682 restricted to investment in endowment funds, and \$6,117,119 of perpetual trusts established by several donors.

Investment income derived from perpetual trusts is used in support of operations and the changes in fair values of such trusts are reported in the with donor restrictions net asset category in the consolidated statement of activities.

Changes in net assets without donor restrictions and the non-controlling interest in the Partnership during the years ended December 31, 2021 and 2020 is summarized below:

	<u>Total Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Non-controlling Interest</u>
Balance, December 31, 2019	\$ 25,338,168	\$ 25,208,472	\$ 129,696
Change in net assets	<u>21,468,280</u>	<u>22,920,877</u>	<u>(1,452,597)</u>
Balance, December 31, 2020	46,806,448	48,129,349	(1,322,901)
980 North Palm LP contribution	4,627,144	-	4,627,144
Change in net assets	<u>8,239,642</u>	<u>9,364,479</u>	<u>(1,124,837)</u>
Balance, December 31, 2021	<u>\$ 59,673,234</u>	<u>\$ 57,493,828</u>	<u>\$ 2,179,406</u>

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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. The most significant management estimates and assumptions relate to the determination of allowances for doubtful accounts, discounts for present value on pledges receivable, the determination of postretirement benefit obligations, the allocation of costs amongst program and supporting services activities, the fair values assigned to certain financial instruments, and the useful lives assigned to fixed assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Actors Fund considers all highly liquid financial instruments, with original maturities of 90 days or less from the date of purchase, to be cash equivalents, except for certain cash equivalents, which are part of The Actors Fund's long-term investment strategy and are included as part of investments.

Restricted Cash

Resident and tenants' security deposits relative to The Home, the Friedman Residence, and the Palm View Residence are recorded as an asset when received and are also included as part of other liabilities on the consolidated statement of financial position.

In addition, escrow and reserve accounts for the Friedman and Palm View Residences are classified as restricted cash.

Bequests, Contributions and Pledges Receivable, Net

The Actors Fund has been notified of certain intentions to give under various wills and trust agreements, the realizable amounts of which are not presently determinable. The Actors Fund's share of such bequests is recorded when The Actors Fund has an irrevocable right to the bequest and the proceeds are measurable. Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Contributions to be received after one year are discounted using an appropriate discount rate commensurate with the risks involved (credit adjusted) which articulates with the collection period of the respective pledge. Discount rates once assigned to a respective pledge are not subsequently adjusted. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-stipulated restrictions, if any.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Bequests, contributions and pledges receivable, net, consist of the following unconditional promises to give at December 31, 2021 and 2020:

	2021	2020
Amounts due in:		
Less than one year	\$ 3,259,500	\$ 1,673,765
One to three years	1,588,268	2,040,000
	4,847,768	3,713,765
Less: allowance for doubtful accounts and unamortized discount (at discount rates ranging from 1.36% to 3.46%)	(37,746)	(67,732)
	\$ 4,810,022	\$ 3,646,033

Investments

Investments in marketable securities are carried at fair value. Donated investments are recorded at fair value at date of donation. Interest and dividends are recognized when earned.

Property and Equipment

Property and equipment are recorded at cost if purchased or fair value at the date of donation. The Actors Fund capitalizes property and equipment costing more than \$10,000 and with useful lives of five years or more. Property and equipment, with the exception of land, are depreciated by the straight-line method, using the half-year convention, with the exception of the Palm View Residence, which uses the full-year convention, over the estimated useful lives of the respective assets, as follows:

Leasehold improvements	Lesser of lease term or economic life of betterment
Buildings and improvements	10 to 40 years
Furniture, fixtures and equipment	5 to 10 years

Revenue Recognition

The Actors Fund recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, The Actors Fund evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer is determined to be an exchange transaction, the Actors Fund applies guidance under FASB Accounting Standards Codification ("ASC") 606. If the transfer of assets is determined to be a contribution, The Actors Fund evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Actors Fund is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

980 North Palm, L.P. contribution

In accordance with the Partnership agreement, the limited partner is required to provide contributions totaling \$5,182,623, which was determined, in part, upon the amount of low-income housing tax credits allocated to the limited partner. The limited partner contributed \$4,627,144 during the year ended December 31, 2021, and in total, has contributed \$5,027,144 as of December 31, 2021.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Contributed Services

The Actors Fund benefits from contributed services associated with special theatrical performances which occur on its behalf. The Actors Fund does not recognize the value of these special performances in its consolidated financial statements since The Actors Fund has historically had these performances contributed and has never paid for such performances. As such, the criteria for recognition under U.S. GAAP has not been met.

Special Events

Revenues and expenses relative to special events are recognized upon occurrence of the respective event. Expenses associated with such events are included as part of advancement expenses on the consolidated statements of activities and functional expenses.

Grants, Contract, and Fee Income

The Actors Fund receives grant and contract funding from various governmental agencies and private sources. The Actors Fund recognizes revenue under these arrangements as related allowable program costs are incurred or services are provided during the respective grant or contract period.

The Actors Fund receives fees relating to affordable housing development.

Housing Rental Revenue

Housing rental revenue includes Friedman Residence and the Palm View Residence operations and is recognized as rents become due. Rental payments received in advance are deferred until earned.

Patient and Resident Services Revenue

Patient and resident services revenue is recognized as performance obligations under the contracts with patients are satisfied. Service revenue is reported at the rate set forth by The Actors Fund, Center for Medicare and Medicaid Services, State of NJ and other third-party payors in exchange for providing patient and residential care. The Actors Fund determines the transaction price based on the standard charges for services provided, reduced by contractual adjustment provided to third-party payors. During fiscal years 2021 and 2020, the revenue from Medicare and Medicaid constituted 60% and 63% of total patient and resident services revenue, respectively.

Revenue under third-party payor agreements is subject to audit and retroactive adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued and interim and final settlements are reported as part of operations.

Measure of Operations

The accompanying consolidated statement of activities distinguish between operating and nonoperating activities. Operating activities principally include all revenues and expenses that are an integral part of The Actors Fund's programs, supporting services, special events, and investment return designated for operations. Nonoperating activities principally include investment return in excess of, or less than, the amount distributed under The Actors Fund's Board-approved spending policy (see Note 3), pension related benefit activities, other than net periodic pension cost, change in value of split-interest agreements, grants, contributions, and pledges for capital and related releases, and endowment and other activities considered to be more of an unusual or nonrecurring nature.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Functional Allocation of Expenses

The costs of providing The Actors Fund's programs and supporting services have been summarized on a functional basis on the accompanying consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated amongst the program and supporting services benefited based principally on headcounts dedicated to the respective functional area and other bases determined by management to be appropriate.

Concentration of Credit Risk

Cash, cash equivalents, and investments are exposed to various risks, such as interest rate, market, and credit. To minimize such risks, The Actors Fund maintains a diversified investment portfolio managed by independent investment managers in a variety of asset classes. The Actors Fund regularly evaluates its investments including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported on the accompanying consolidated financial statements can vary substantially from year to year. The Actors Fund maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Actors Fund's cash accounts have been placed with high credit quality financial institutions and, accordingly, The Actors Fund does not expect nonperformance.

The Actors Fund received \$10.2 million and \$17.5 million, representing 43% and 30% of its total contributions, private grants and Broadway Cares/Equity Fights AIDS contribution revenues, from the Board of Trustees and their related organizations during the years ended December 31, 2021 and 2020, respectively.

Fair Value of Financial Instruments

The Actors Fund follows guidance for fair value measurements that defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. GAAP, for fair value measurements, The Actors Fund uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources as of the measurement date. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs other than quoted prices in active market, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by an entity. The Actors Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to The Actors Fund's perceived risk of that instrument.

The carrying amounts of cash and cash equivalents, accounts receivable and other receivables, bequests, contributions and pledges receivables, prepaid expenses and other assets, and accounts payable and accrued expenses and other liabilities approximate fair value due to the short maturity of these financial instruments.

The values assigned to long-term investments and annuity fund investments are based on the quoted fair values of the underlying securities as of the measurement date.

The Actors Fund estimates that the carrying value of its bonds and mortgages payable approximate fair value because the debt bears interest at rates that are not significantly different than current market rates for loans with similar maturities and credit qualities.

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic, which started to and continues to spread throughout the United States. As a result of the COVID-19 pandemic, Broadway, and film and television, theater, concerts, dance, music and many other areas of entertainment were shutdown. The Actors Fund has partnered with other entertainment industry organizations to provide emergency financial assistance grants to those in immediate financial need. Additionally, in response to the pandemic, The Actors Fund incurred additional costs for testing, personal protective equipment, and other operating costs associated with ensuring employee and resident safety while operating during the pandemic.

The Actors Fund received grant payments, which are considered nonexchange transactions, from the federal government distributed under the Coronavirus Aid, Recovery and Economic Security ("CARES") Act. For the year ended December 31, 2021 and 2020, The Actors Fund received total grant funds of \$165,072 and \$840,586, respectively. The Actors Fund believes it has met the conditions to retain these payments, which are included in grant, contracts and fee income within the consolidated statement of activities. The CARES Act payments are subject to audit and compliance with federal regulations and future grant payments are uncertain at this time.

Additionally, the Internal Revenue Service ("IRS") allowed The Actors Fund to defer remittance of payroll taxes of \$727,205 through the year ended December 31, 2020, which is included in accounts payable and accrued expenses in the 2020 consolidated statement of financial position. Fifty percent of the deferred payroll taxes was paid in 2021, with the remaining balance due by December 31, 2022.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires organizations that lease assets to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. The standard defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The guidance, as amended by ASU 2020-05, is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Actors' Fund is evaluating the impact ASU 2016-02 will have on its consolidated financial statements which has not been determined at this time.

In November 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances the presentation and disclosure requirements for contributed nonfinancial assets. The guidance is effective for annual reporting period beginning after June 15, 2021 and should be applied on a retrospective basis. The adoption is not expected to have a material impact on the consolidated financial statements.

Subsequent Events

The Actors Fund has evaluated events occurring subsequent to December 31, 2021 through May 26, 2022, which represents the date the consolidated financial statements were available to be issued.

The Actors Fund closed on the New Markets Tax Credit ("NMTC") financing of The Hollywood Arts Collective Building project on February 2, 2022. In conjunction with the project, several related entities were established and a term loan of \$9,404,138 was obtained.

Beginning May 10, 2022, The Actors Fund has rebranded its name to "Entertainment Community Fund".

NOTE 3 - LONG-TERM INVESTMENTS

Investments at December 31, 2021 and 2020 consist of the following:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 894,233	\$ 894,233	\$ 1,216,682	\$ 1,216,682
Common stocks	12,275,039	6,375,554	10,934,025	7,276,361
Mutual funds	6,376,402	6,796,670	4,610,349	4,500,529
Corporate bonds	2,839,518	2,805,650	2,669,086	2,517,876
Government bonds	1,527,407	1,530,513	1,534,884	1,428,200
	<u>\$ 23,912,599</u>	<u>\$ 18,402,620</u>	<u>\$ 20,965,026</u>	<u>\$ 16,939,648</u>

The Actors Fund's investments are classified under Level 1 within the fair value hierarchy as of December 31, 2021 and 2020.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Investments are allocated amongst the net asset categories as follows:

	<u>2021</u>	<u>2020</u>
Without donor restrictions	\$ 3,997,784	\$ 3,142,373
With donor restrictions - passage of time	4,855,633	2,770,971
With donor restrictions - endowment funds	<u>15,059,182</u>	<u>15,051,682</u>
	<u>\$ 23,912,599</u>	<u>\$ 20,965,026</u>

Donor-restricted endowment funds, excluding perpetual trusts and pledges, at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Dorothy Ross Friedman	\$ 4,500,000	\$ 4,500,000
Percy Williams	3,254,762	3,254,762
Honey Waldman	1,860,408	1,860,408
Wayne F. Maxwell and David Samples	1,793,474	1,793,474
Lillian Booth	1,000,000	1,000,000
Edwin Forrest	772,250	772,250
Noel Murphy	566,691	566,691
Endowments under \$500,000 (12)	<u>1,311,597</u>	<u>1,304,097</u>
	<u>\$ 15,059,182</u>	<u>\$ 15,051,682</u>

The Board of Trustees of The Actors Fund has adopted an investment spending policy which permits the use of 5% to 7% annually of the trailing twenty quarter average investment portfolio's fair value measured as of each year-end. In 2021, endowment investment return designated for operations of \$752,085 was deferred to future years.

The following schedule summarizes investment gains (losses) and their classification on the accompanying consolidated statements of activities. For the years ended December 31, 2021 and 2020, realized and unrealized gains pertaining to annuity and trust investments, totaled \$769,432 and \$328,878, respectively, and are included in the following chart:

	<u>2021</u>	<u>2020</u>
Dividends and interest (net of expenses of \$171,216 and \$139,278 in 2021 and 2020, respectively)	\$ 537,725	\$ 542,345
Net realized gains (losses)	1,197,472	(509,587)
Net unrealized gains	<u>2,077,657</u>	<u>1,605,441</u>
Total investment return	3,812,854	1,638,199
Investment return designated for operations	<u>(169,000)</u>	<u>(1,123,321)</u>
Investment return, net of amounts designated for operations	<u>\$ 3,643,854</u>	<u>\$ 514,878</u>

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 4 - ANNUITY FUND AND TRUST INVESTMENTS

The Actors Fund has established an annuity fund which is invested in equity securities, mutual funds and bonds. The income beneficiaries of the annuity fund receive annual distributions during their lives. The Actors Fund receives the remaining principal, if any, upon death of the stated life beneficiaries. The gift annuity fund and pooled income liabilities are based on discount rates of 3.75% at December 31, 2021 and 2020, consistent with mortality tables provided by the Internal Revenue Service.

The Actors Fund administers the "Unclaimed Coogan Trust" funds entrusted to The Actors Fund collected from the entertainment employers for un-emancipated minors rendering artistic or creative services pursuant to California state law.

The Actors Fund is the trustee of charitable remainder unitrust and is responsible for making annuity payments to specified life tenant beneficiaries.

Annuity Fund and Trusts assets at December 31, 2021 and 2020 consist of the following:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 502,276	\$ 502,276	\$ 528,225	\$ 528,225
Common stocks	3,635,482	1,964,444	3,043,547	2,119,943
Mutual funds	1,726,212	1,650,708	1,511,122	1,403,353
Corporate bonds	1,264,268	1,245,103	1,211,142	1,150,816
Government bonds	949,769	951,880	1,012,414	990,358
Total	<u>\$ 8,078,007</u>	<u>\$ 6,314,411</u>	<u>\$ 7,306,450</u>	<u>\$ 6,192,695</u>

All Annuity Fund and Trusts assets have been classified as Level 1 investments.

	2021		2020	
	Asset	Liability	Asset	Liability
Annuity Fund	\$ 874,170	\$ 590,673	\$ 956,157	\$ 660,182
Pooled Income Fund	322,965	40,449	313,312	43,224
Unclaimed Coogan Trust	4,434,774	4,250,065	3,820,440	3,904,164
Charitable Remainder Unitrusts	2,446,098	1,300,983	2,216,541	1,223,633
	<u>\$ 8,078,007</u>	<u>\$ 6,182,170</u>	<u>\$ 7,306,450</u>	<u>\$ 5,831,203</u>

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 5 - PERPETUAL TRUSTS

Certain perpetual trusts, which The Actors Fund is the beneficiary of but not the trustee, have been classified as Level 3 within the fair value hierarchy and consist of the following at December 31, 2021 and 2020:

	2021	2020
Beginning of year	\$ 6,117,119	\$ 5,598,790
Unrealized gains	561,064	518,329
End of year	\$ 6,678,183	\$ 6,117,119

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at December 31, 2021 and 2020 consists of the following:

	2021	2020
Buildings and leasehold improvements	\$ 80,240,458	\$ 79,797,304
Furniture, fixtures and equipment	9,817,258	8,580,925
Less: Accumulated depreciation and amortization	(31,141,842)	(27,848,201)
	58,915,874	60,530,028
Land	5,377,335	5,422,976
Construction-in-progress	360,642	385,657
Property and equipment, net	\$ 64,653,851	\$ 66,338,661

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$3,516,699 and \$2,969,963, respectively. The Actors Fund disposed of certain fully depreciated assets totaling \$223,058 and \$152,158 during the years ended December 31, 2021 and 2020, respectively.

The Actors Fund owns approximately 2,400 burial plots, which have existed since 1930 and that are substantially occupied, in New York and Pennsylvania for which no value has been assigned within the accompanying consolidated financial statements. The value of these burial plots, which would have been recognized at fair value on the date of gift, is not material to The Actors Fund's consolidated financial statements.

NOTE 7 - BONDS, NOTES, AND MORTGAGES PAYABLE, NET

Bonds Payable

In August 2016, The Actors Fund issued, through the New Jersey Economic Development Authority ("NJEDA"), \$25,000,000 of Economic Development Bonds (The Actors' Fund of America Project) (the "Bonds") to provide funding for the reconstruction and expansion of The Home, as well as refunding of the 2007 NJEDA Bonds. Pursuant to the Bond Agreement dated August 4, 2016, among The Actors Fund, the NJEDA, and TD Bank, N.A. ("TD"), TD purchased the Bonds from the NJEDA and the proceeds of the sale were loaned to The Actors Fund (the "Loan").

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The term of the Loan is 10 years inclusive of a 30-month interest only period followed by principal and interest payments based upon a 25-year amortization period. Interest accrues on the unpaid principal balance of the Loan at a rate of 2.31% per annum. The Actors Fund's obligation to repay the Loan is secured by: (i) a Mortgage and Security Agreement covering the real property, commonly known by the street address 155-175 West Hudson Avenue, Englewood, New Jersey (the "Englewood Property") and certain fixtures and other personal property located thereon; (ii) an Assignment of Contracts, Licenses and Permits covering the Englewood Property; (iii) a Collateral Assignment of Resident Admission Agreements; (iv) a Security Agreement and related UCC financing statements covering all accounts and gross receipts of The Actors Fund; and (v) a Continuing Covenants Agreement between The Actors Fund and TD.

The outstanding principal balance as of December 31, 2021 and 2020 was \$22,835,862 and \$23,615,884, respectively.

In connection with the bond issuance discussed above, The Actors Fund incurred financing costs of \$353,251 which are being amortized over the maturity period of the bonds, 25 years. Unamortized deferred financing costs of \$252,870 and \$271,597 as of December 31, 2021 and 2020, respectively, are netted against bonds, notes and mortgages payable, net, on the accompanying consolidated statements of financial position. Deferred financing cost amortization of \$18,727 and \$19,082 for the years ended December 31, 2021 and 2020, respectively, was included in depreciation and amortization.

Total interest expense associated with the Bonds for the years ended December 31, 2021 and 2020 totaled \$535,801 and \$553,631, respectively, which was included in operating expenses and allocated amongst the financial categories benefited for years ended 2021 and 2020, respectively.

Under the Bond agreement, The Actors Fund is required to meet certain covenants. The Actors Fund met these covenants as of December 31, 2021.

Notes and Mortgages Payable

Palm View Residence – 980 North Palm L.P.:

JP Morgan Chase 2019 Series F1 and F2 Bonds were issued by Los Angeles County Development Authority ("LACDA") in the total amount of \$8,000,000. On July 16, 2021, the Series F1 in the amount of \$3,524,000 was converted into first mortgage and the Series F2 in the amount of \$4,476,000 was paid off. Approximately \$193,000 of unamortized debt issuance costs related to the Series F2 bond was written off as a loss on extinguishment of debt for the year ended December 31, 2021. The loan is secured by the first deed of trust on the real property and bears interest of 3.75% per annum, maturing November 15, 2039. As of December 31, 2021, and 2020, the outstanding principal payable was \$3,508,394 and \$8,000,000, respectively, and outstanding interest payable was \$11,329 and \$16,271, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$153,736 as of December 31, 2021, and are related to the first mortgage. Debt issuance costs on the note are being amortized using an imputed interest rate of 4.33%. Amortization of debt issuance costs is \$5,606 for the year ended December 31, 2021 and is included in depreciation and amortization.

The Palm View Residence's other notes consist of the City of West Hollywood for \$1,783,552, the County of Los Angeles for \$1,640,850 and a new note from County of Los Angeles issued in 2021 for \$1,000,000. These loans are subordinated to the JP Morgan Chase loan. These notes are secured by a deed of trust on real property and bear simple interest of 1.788% to 2.99% per annum, payable in annual installments of principal and interest based on net cash flows. The liability is limited to the value of the underlying real property and an assignment of rents with maturity period of 55 years.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The outstanding principal for the City of West Hollywood note was \$1,783,552 at both December 31, 2021 and 2020 and the accrued interest was \$179,500 and \$60,250 at December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the outstanding principal payable for the County of Los Angeles was \$2,640,850 and \$1,640,850, respectively, and accrued interest was \$120,671 and \$74,020, respectively.

Friedman Residence:

On July 22, 2013, Friedman Residence, LLC entered into a 30-year loan agreement with the New York State Housing Finance Agency ("HFA") with an available amount of \$2,246,000. The note bears interest at 2% per annum and is payable monthly, beginning July 1, 2014. As of December 31, 2021, and 2020, \$1,730,100 and \$1,792,961, respectively, was outstanding under the loan agreement.

On March 23, 2011, AFHDC assumed two 30-year loan agreements with the City of New York, Department of Housing Preservation and Development ("HPD"), one dated June 30, 1995, in the amount of \$63,000, inclusive of \$13,000 of interest, and another dated May 30, 2005, in the amount of \$200,853. The notes bear interest at 1% per annum and non-interest bearing, respectively, and are due June 30, 2025.

These loans are nonrecourse and are secured by mortgages in the same amount encumbering real property and investments thereon (The Dorothy Ross Friedman Residence) and an assignment of rents, income and other benefits.

Maturities of the bonds, notes, and mortgages payable at December 31, 2021 are as follows:

2022	\$ 910,764
2023	932,566
2024	954,538
2025	977,773
2026	19,655,159
Thereafter	9,843,312
	33,074,112
Less: Debt issuance costs	(406,606)
Total, net	\$ 32,667,506

Paycheck Protection Program Loan

In 2020, the Actors' Fund of America and Actors Fund House Development Corporation (the "Borrowers") were granted loans from TD Bank of \$4,592,157 and \$145,975, respectively, pursuant to the Small Business Administration Paycheck Protection Program (the "SBA PPP") under Division A, Title I of the CARES Act, which bear interest at a rate of 1% per annum. The Borrowers used the entire loan amount for qualifying expenses, meeting the forgiveness clause under the terms. During the year ended December 31, 2021, the loans were forgiven in full and recognized as grant, contract, and fee income on the consolidated statement of activities.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

Line of Credit

The Actors Fund has a \$6,000,000 revolving line of credit with a financial institution. Amounts borrowed under the line of credit bear interest equal to the greater of 2.5% or prime rate minus 2% and is secured by collateral held in an account with the same financial institution. The line of credit was not utilized in 2020 or 2021. The line of credit expired on April 18, 2022 but has been renewed through December 19, 2022.

NOTE 8 - RETIREMENT BENEFITS

Defined Benefit Pension Plan

The Actors Fund provided a noncontributory defined benefit pension plan for eligible employees, which has been frozen since April 15, 2012. As of April 15, 2012, the plan ceased further benefit accruals for all active participants and is closed to new participants. The accrued benefits for active participants are based solely on credited service accumulated through April 15, 2012 and compensation received through April 15, 2012.

The Actors Fund uses a December 31 measurement date for purposes of calculating its pension obligations.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The following summarizes the funded status of the plan and associated costs as of and for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Reconciliation of benefit obligation:		
Benefit obligation at January 1	\$ 20,403,778	\$ 18,450,736
Interest cost	485,233	581,975
Actuarial (gain) / loss	(489,165)	2,115,106
Benefits paid	<u>(840,333)</u>	<u>(744,039)</u>
Benefit obligation at December 31	<u>\$ 19,559,513</u>	<u>\$ 20,403,778</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets at January 1	\$ 14,206,595	\$ 13,563,889
Actual return on plan assets	1,914,523	980,507
Employer contributions	228,080	406,238
Benefits paid	<u>(840,333)</u>	<u>(744,039)</u>
Fair value of plan assets at December 31	<u>\$ 15,508,865</u>	<u>\$ 14,206,595</u>
Benefit obligation	\$ (19,559,513)	\$ (20,403,778)
Fair value of plan assets	<u>15,508,865</u>	<u>14,206,595</u>
Funded status	<u>\$ (4,050,648)</u>	<u>\$ (6,197,183)</u>
Amounts recognized on the consolidated statements of financial position consist of:		
Postretirement benefit obligations	\$ (4,050,648)	\$ (6,197,183)
Interest cost	\$ 485,233	\$ 581,975
Expected return on plan assets	(837,400)	(869,358)
Amortization of net loss	<u>176,135</u>	<u>109,386</u>
Net periodic pension income	<u>\$ (176,032)</u>	<u>\$ (177,997)</u>

Amounts recognized in net assets without donor restrictions as of December 31, 2021 and 2020 consist of an actuarial loss of \$4,602,723 and \$6,345,146, respectively.

The weighted-average assumptions used to determine benefit obligations at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	2.80%	2.43%
Rate of compensation increase	N/A	N/A

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	2.43%	3.20%
Expected return on plan assets	6.00%	6.50%
Rate of compensation increase	N/A	N/A

The long-term rate of return on assets assumption was selected by the plan sponsor based on review of investment allocations with the investment advisor and based on both historic and projected returns. This assumption was determined to be an appropriate estimate of the expected returns, based on the nature of the pension plan investment allocation and related strategy. Since the rate of return assumption reflects a long-term outlook, it is not expected to change based on short-term market fluctuations. The plan sponsor routinely monitors the performance of the pension plan assets and, based on consultation with its investment advisor, will make changes to the investment allocation and strategy as determined to be necessary in an effort to maximize returns within prudent risk constraints.

The net periodic pension cost includes the following components:

	<u>2021</u>	<u>2020</u>
Benefit cost/(income)	\$ (176,032)	\$ (177,997)
Employer contributions	228,080	406,238
Benefits paid	(840,333)	(744,039)

Actual return on plan assets for the pension plan are net of approximately \$92,000 and \$80,000 of investment management fees in fiscal years 2021 and 2020, respectively.

The Actors Fund's pension plan weighted-average asset allocations at December 31, 2021 and 2020 are as follows:

<u>Asset Category</u>	<u>Allocation of Plan Assets at December 31, 2021</u>	<u>Allocation of Plan Assets at December 31, 2020</u>
Common stocks	69.76%	64.88%
Fixed income securities	28.84%	33.05%
Cash and cash equivalents	1.40%	2.07%
Total	<u>100.00%</u>	<u>100.00%</u>

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The pension plan investments at December 31, 2021 and 2020 consist of the following:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Common stocks	\$ 216,460	\$ 216,460	\$ 9,217,089	\$ 6,619,098
Fixed income securities	4,474,107	4,602,033	4,695,542	4,602,033
Cash and cash equivalents	10,818,298	6,619,098	293,964	293,961
	\$ 15,508,865	\$ 11,437,591	\$ 14,206,595	\$ 11,515,092

The investments of the pension plan as of December 31, 2021 and 2020 are classified as Level 1 within the fair value hierarchy discussed in Footnote 2.

The following pension benefit payments are expected to be paid as follows:

Year Ending December 31,	Pension Benefit
2022	\$ 767,393
2023	772,131
2024	992,250
2025	1,016,496
2026	1,018,475
Years 2027 - 2031	5,212,572

401(k) Defined Contribution Plan

The Actors Fund sponsors a defined contribution plan covering all eligible employees. The plan permits elective deferrals pursuant to Internal Revenue Code Section 401(k), up to the maximum amount allowed by law of pre-tax annual compensation, as defined in the plan. The Actors Fund makes discretionary matching contributions on participant deferrals. In fiscal year 2012, The Actors Fund added non-elective safe harbor contributions and discretionary profit-sharing contributions. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). Total contributions to the plan by The Actors Fund during fiscal years 2021 and 2020 totaled \$1,058,225 and \$1,009,095, respectively.

457 Deferred Compensation Plan

The Actors Fund provides 457(b)/457(f) plans to qualified executives to supplement retirement plan benefits. Total expenses pertaining to these arrangements totaled \$287,062 and \$141,274 for the years ended December 31, 2021 and 2020, respectively. Assets and liabilities associated with these plans totaled \$1,392,635 and \$941,663 as of December 31, 2021 and 2020, respectively. Such assets are included in other assets and liabilities are included as part of the postretirement benefit obligations, net of plan assets line on the consolidated statements of financial position.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement laws and regulations, anti-referral laws, and false claims prohibitions. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims and anti-referral statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs as well as imposition of significant fines and penalties, and significant repayments for patient services previously reimbursed. The Actors Fund believes it is in compliance with all laws and regulations and that the result of any future government review would not have a material impact on The Actors Fund's consolidated financial position, changes in net assets or cash flows.

Lease

The Actors Fund has entered into operating lease agreements for office space located in New York City, Chicago and Los Angeles, and equipment leases, with lease terms expiring at various dates through fiscal year 2042. Certain of these lease agreements have renewal clauses which range from one to nine years, exercisable at the option of The Actors Fund. All office space leases have rent escalation clauses that are based upon anticipated increases in real estate taxes, building expenses and utility charges.

Rental expense for the years ended December 31, 2021 and 2020 totaled \$2,487,740 and \$2,477,019, respectively. The deferred rent liability included in the accompanying consolidated statements of financial position totals \$3,078,579 and \$3,175,254 as of December 31, 2021 and 2020, respectively.

Included in furniture, fixtures and equipment within property and equipment on the accompanying consolidated statements of financial position is equipment acquired under capital lease arrangements with a cost of \$133,039 and \$104,098 at December 31, 2021 and 2020, respectively, with accumulated amortization of \$87,774 and \$69,758 at December 31, 2021 and 2020, respectively. Principal payments for the years ended December 31, 2021 and 2020 under all capital leases totaled \$13,083 and \$23,412, respectively. Amounts outstanding under these capital leases are included in other liabilities on the accompanying consolidated statements of financial position at December 31, 2021 and 2020 and total \$43,980 and \$28,122, respectively.

Interest expense under capital leases for the years ended December 31, 2021 and 2020, totaled \$1,827 and \$2,264, respectively.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

At December 31, 2021, future minimal annual payments due under both operating and capital leases are as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>	<u>Capital Leases</u>	<u>Total</u>
2022	\$ 2,448,197	\$ 43,923	\$ 2,492,120
2023	2,492,666	46,506	2,539,172
2024	2,692,625	46,505	2,739,130
2025	2,445,308	18,817	2,464,125
2026	2,541,470	3,995	2,545,465
Thereafter	14,272,046	-	14,272,046
	<u>\$ 26,892,312</u>	<u>\$ 159,746</u>	<u>\$ 27,052,058</u>

Income Taxes

The Actors Fund follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Actors Fund is exempt from federal income tax under IRC Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Actors Fund has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The Actors Fund has determined that there are no material uncertain tax positions that require recognition or disclosure in its financial statements.

Contingencies

In the normal course of its operations, The Actors Fund may from time to time become a party to various legal proceedings and complaints, some of which are covered by insurance. While it is not feasible to predict the ultimate outcomes of such matters, The Actors Fund is not aware of any claims or contingencies that would have a material adverse effect on its financial position, changes in net assets or cash flows.

NOTE 10 - DONOR RESTRICTED ENDOWMENT FUNDS

The Actors Fund adopted the provisions of Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds. This standard provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), passed by the State of New York in September 2010 and also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

The Actors Fund has interpreted New York State UPMIFA ("NYPMIFA") as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, The Actors Fund classifies as donor restricted net assets: (a) the original value of gifts donated to its permanent endowment; (b) the original value of subsequent gifts to its permanent endowment; and (c) accumulations to its permanent endowment made in accordance with the directions of the applicable donor gift instrument, at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions - time or purpose restrictions, until such amounts are appropriated for expenditure by The Actors Fund in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, The Actors Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of endowment investments; general economic conditions; the possible effects of inflation and deflation; other resources of The Actors Fund; and the investment policy of The Actors Fund.

The Actors Fund has adopted investment policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that The Actors Fund must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk. To satisfy its long-term return objectives, The Actors Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Actors Fund targets a diverse asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The following tables present the composition of The Actors Fund's donor-restricted endowment fund, which consists of net assets with donor restrictions and excludes perpetual trusts, which The Actors Fund is not the trustee of, and pledge receivables, as of December 31, 2021 and 2020 and the changes in the endowment fund for the years then ended. The Actors Fund does not have a board-designated endowment fund as of December 31, 2021 and 2020.

Donor Restricted Endowment Funds	2021	2020
Endowment net assets, beginning of year	\$ 17,822,653	\$ 17,738,882
New endowments	7,500	10,000
Investment gain	2,084,662	824,159
Investment return designated for operations	-	(750,388)
Endowment net assets, end of year	\$ 19,914,815	\$ 17,822,653

Investment return designated for operations on the accompanying consolidated statements of activities includes investment return appropriated for expenditure under The Actors Fund's spending policy pertaining to its endowment and earnings on working capital funds.

The Actors' Fund of America and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 11 - LIQUIDITY

The Actors Fund regularly monitors liquidity required to meet its operating needs and other contractual agreements, while also striving to maximize the investment of its portfolio. The Actors Fund has various sources of liquidity at its disposal, including cash and cash equivalents and short-term marketable equity securities.

In addition to financial assets available to meet general expenditures over the next 12 months, The Actors Fund operates with a balanced budget and anticipates collecting sufficient operating revenue and investment portfolio returns to cover all of its operating needs.

As of December 31, 2021 and 2020, the following financial assets could readily be made available within one year of the consolidated balance sheet date to meet operating expenditures:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 34,331,791	\$ 32,296,402
Restricted cash	1,437,926	944,450
Accounts and other receivables less allowance for doubtful accounts of \$245,000.	3,373,039	3,552,765
Bequests, contribution and pledges receivables, net	4,810,022	3,646,033
Long-term investments	23,912,599	20,965,026
Annuity and trust investments	<u>8,078,007</u>	<u>7,306,450</u>
 Total financial assets	 75,943,384	 68,711,126
Less:		
Donor Restricted Funds:		
Anticipated collections on bequest, pledges and contributions receivable after one year	1,588,268	2,040,000
Purpose restricted contributions	7,007,215	4,006,835
Restricted endowment investments	<u>15,059,182</u>	<u>15,051,682</u>
 Total donor restricted funds	 23,654,665	 21,098,517
Contractually Restricted:		
Amounts held in annuity and trust investments	8,078,007	7,306,450
Amounts held as security deposits or reserves	<u>1,437,926</u>	<u>944,450</u>
 Total contractually restricted	 9,515,933	 8,250,900
Add:		
Endowment fund appropriation for following year	<u>1,302,143</u>	<u>1,283,618</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 44,074,929</u>	 <u>\$ 40,645,327</u>