

Consolidated Financial Statements  
Together with Report of Independent  
Certified Public Accountants

**THE ACTORS' FUND OF AMERICA AND  
SUBSIDIARIES**

December 31, 2020 and 2019

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying 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, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Actors Fund of America and subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

New York, New York  
May 27, 2021

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**

**Consolidated Statements of Financial Position**

**December 31,**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 32,296,402	\$ 3,175,831
Restricted cash	944,450	1,155,368
Accounts and other receivables, less allowance for doubtful accounts of \$245,000 and \$197,554 in 2020 and 2019, respectively	3,552,765	2,279,583
Bequests, contributions and pledges receivable, net (Note 2)	3,646,033	1,016,632
Prepaid expenses and other assets (Note 8)	1,543,739	1,376,642
Long-term investments (Note 3)	20,965,026	20,777,896
Annuity and trust investments (Note 4)	7,306,450	7,017,838
Perpetual trusts (Note 5)	6,117,119	5,598,790
Property and equipment, net (Note 6)	66,338,661	62,108,138
	<u>\$ 142,710,645</u>	<u>\$ 104,506,718</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 6,046,881	\$ 4,905,253
Deferred revenue	857,714	338,576
Annuities and trust payable (Note 4)	5,831,203	5,735,430
Deferred rent (Note 9)	3,175,254	2,931,262
Other liabilities	1,489,336	1,654,020
Bonds, notes, and mortgages payable, net (Note 7)	36,700,290	30,791,832
Borrowings on line of credit (Note 7)	-	1,000,000
Paycheck Protection Program loan (Note 7)	4,738,132	-
Postretirement benefit obligations, net of plan assets of \$14,206,595 and \$13,563,889 in 2020 and 2019, respectively (Note 8)	7,138,846	5,540,495
	<u>65,977,656</u>	<u>52,896,868</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 9)</b>		
<b>NET ASSETS (DEFICIT) (Note 10)</b>		
Without donor restrictions	48,129,349	25,208,472
Without donor restrictions - non-controlling interest (Note 2)	(1,322,901)	129,696
With donor restrictions (Notes 2 and 10)	29,926,541	26,271,682
	<u>76,732,989</u>	<u>51,609,850</u>
Total net assets	<u>\$ 142,710,645</u>	<u>\$ 104,506,718</u>
Total liabilities and net assets	<u>\$ 142,710,645</u>	<u>\$ 104,506,718</u>

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, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating Activities</b>			
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)	-
	<hr/>	<hr/>	<hr/>
Total support and revenues	87,951,911	179,900	88,131,811
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
	<hr/>	<hr/>	<hr/>
Total program services	59,132,521	-	59,132,521
Supporting services:			
General and administrative	1,441,048	-	1,441,048
Advancement	4,660,999	-	4,660,999
	<hr/>	<hr/>	<hr/>
Total supporting services	6,102,047	-	6,102,047
Total expenses	<hr/>	<hr/>	<hr/>
	65,234,568	-	65,234,568
Changes in net assets from operating activities	<hr/>	<hr/>	<hr/>
	22,717,343	179,900	22,897,243
<b>Nonoperating Activities</b>			
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)
	<hr/>	<hr/>	<hr/>
Total nonoperating activities	(1,249,063)	3,474,959	2,225,896
Changes in net assets	21,468,280	3,654,859	25,123,139
<b>Net assets, beginning of year</b>	<hr/>	<hr/>	<hr/>
	25,338,168	26,271,682	51,609,850
<b>Net assets, end of year</b>	<hr/>	<hr/>	<hr/>
	\$ 46,806,448	\$ 29,926,541	\$ 76,732,989

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

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**

**Consolidated Statement of Activities**

**For the year ended December 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating Activities</b>			
Support and revenues:			
Contributions and private grants	\$ 7,595,923	\$ 252,889	\$ 7,848,812
Special events	3,839,518	-	3,839,518
BC/EFA grants (Note 2)	6,025,000	-	6,025,000
Bequests	1,364,448	2,582	1,367,030
Grant, contract, and fee income	4,452,748	-	4,452,748
Housing rental revenue	2,452,546	-	2,452,546
Patient and resident services revenue (Note 2)	14,770,214	-	14,770,214
Investment return designated for operations (Note 3)	2,419,613	649,709	3,069,322
Net assets released from restrictions (Note 2)	865,497	(865,497)	-
	<hr/>	<hr/>	<hr/>
Total support and revenues	43,785,507	39,683	43,825,190
	<hr/>	<hr/>	<hr/>
Expenses			
Program services:			
Social services	10,406,053	-	10,406,053
Employment and training	2,801,165	-	2,801,165
Health services	2,191,361	-	2,191,361
Housing	5,071,983	-	5,071,983
Patient and resident services	18,617,478	-	18,617,478
	<hr/>	<hr/>	<hr/>
Total program services	39,088,040	-	39,088,040
	<hr/>	<hr/>	<hr/>
Supporting services:			
General and administrative	1,527,141	-	1,527,141
Advancement	5,735,101	-	5,735,101
	<hr/>	<hr/>	<hr/>
Total supporting services	7,262,242	-	7,262,242
	<hr/>	<hr/>	<hr/>
Total expenses	46,350,282	-	46,350,282
	<hr/>	<hr/>	<hr/>
Changes in net assets from operating activities	(2,564,775)	39,683	(2,525,092)
	<hr/>	<hr/>	<hr/>
<b>Nonoperating Activities</b>			
Change in value of split-interest agreements	(130,994)	485,515	354,521
Investment (loss) gain, net of amounts designated for current operations (Note 3)	(959,312)	2,780,666	1,821,354
Pension benefit related activities, other than net periodic pension cost	(567,132)	-	(567,132)
Grants, contributions and pledges for capital, net of release of restricted funds for capital expenditures	836,283	(357,680)	478,603
980 North Palm LP contribution	400,000	-	400,000
980 North Palm LP distribution to AGP	(407,015)	-	(407,015)
Interest	(66,071)	-	(66,071)
	<hr/>	<hr/>	<hr/>
Total nonoperating activities	(894,241)	2,908,501	2,014,260
	<hr/>	<hr/>	<hr/>
Changes in net assets	(3,459,016)	2,948,184	(510,832)
	<hr/>	<hr/>	<hr/>
<b>Net assets, beginning of year</b>	28,797,184	23,323,498	52,120,682
	<hr/>	<hr/>	<hr/>
<b>Net assets, end of year</b>	\$ 25,338,168	\$ 26,271,682	\$ 51,609,850
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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, 2020**

	Program Services					Supporting Services		Total
	Social Services	Employment and Training	Health Services	Housing	Patient and Resident Services	General and Administration	Advancement	
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 Statement of Functional Expenses**

**For the year ended December 31, 2019**

	Program Services					Supporting Services		Total
	Social Services	Employment and Training	Health Services	Housing	Patient and Resident Services	General and Administration	Advancement	
Program activities and financial assistance	\$ 2,208,738	\$ 194,809	\$ 771,092	\$ 864,521	\$ 3,125,432	\$ -	\$ -	\$ 7,164,592
Fundraising and events	-	-	-	-	-	-	2,128,334	2,128,334
Payroll and benefits	5,549,241	1,824,964	928,931	1,622,355	11,278,482	867,349	2,298,359	24,369,681
General office	600,657	189,358	107,536	459,222	1,206,163	155,241	379,293	3,097,470
Professional fees and outside services	557,865	147,332	163,162	614,618	322,560	107,609	264,891	2,178,037
Occupancy and facilities	1,218,853	368,509	187,961	962,016	735,537	214,266	511,426	4,198,568
Interest expense	1,672	494	167	45,066	493,935	73,387	741	615,462
Depreciation and amortization	269,027	75,699	32,512	504,185	1,455,369	109,289	152,057	2,598,138
	<u>\$ 10,406,053</u>	<u>\$ 2,801,165</u>	<u>\$ 2,191,361</u>	<u>\$ 5,071,983</u>	<u>\$ 18,617,478</u>	<u>\$ 1,527,141</u>	<u>\$ 5,735,101</u>	<u>\$ 46,350,282</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,**

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ 25,123,139	\$ (510,832)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,989,482	2,598,138
Change in allowance and discount on bequests, contributions and pledges receivable	61,692	(12,378)
Change in provision for doubtful accounts	47,446	44,089
Interest on notes payable	66,571	66,571
Net realized and unrealized losses on investments	(1,095,854)	(4,243,240)
Contributions restricted to annuity agreements, endowments and capital, including donated securities	(1,099,469)	(1,429,469)
Changes in operating assets and liabilities:		
Restricted cash	210,918	(6,980)
Accounts and other receivables	(1,320,628)	(233,439)
Bequests, contributions and pledges receivable	(2,691,093)	1,225,651
Annuity and trust investments	(288,612)	(544,382)
Prepaid expenses and other assets	(167,097)	(188,684)
Accounts payable and accrued expenses	1,141,628	(2,090,438)
Deferred revenue	519,138	(142,276)
Annuities and trust payable	95,773	177,385
Deferred rent	243,992	73,708
Other liabilities	(141,272)	368,696
Postretirement benefit obligations	1,598,351	(70,423)
	<u>25,294,105</u>	<u>(4,918,303)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from maturities and sales of investments	4,596,691	7,170,254
Purchases of investments	(3,687,967)	(3,967,522)
Acquisition of property and equipment	<u>(7,074,945)</u>	<u>(5,436,880)</u>
	<u>(6,166,221)</u>	<u>(2,234,148)</u>
<b>Cash flows from financing activities:</b>		
Contributions restricted to annuity agreements and endowments, and capital, including donated securities	1,099,469	1,429,469
Borrowings on line of credit	-	1,000,000
Payments on line of credit	(1,000,000)	-
Proceeds from Paycheck Protection Program	4,738,132	-
Principal payments on capital lease obligations	(23,412)	(20,419)
Proceeds from construction loan	6,806,148	1,193,852
Construction loan financing costs	(285,477)	(117,000)
Principal payments on bonds and mortgages payable	(823,844)	(682,286)
Increase in perpetual trusts	(518,329)	(767,089)
Decrease in deposits with bond trustee	-	4,057,008
	<u>9,992,687</u>	<u>6,093,535</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	29,120,571	(1,058,916)
<b>Cash and cash equivalents, beginning of year</b>	<u>3,175,831</u>	<u>4,234,747</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 32,296,402</u>	<u>\$ 3,175,831</u>
<b>Supplemental disclosure of cash flow information:</b>		
Equipment acquired under capital lease obligations	\$ -	\$ 39,883
Cash paid for interest	<u>\$ 615,283</u>	<u>\$ 688,158</u>
Construction costs included in accounts payable and accrued expenses	<u>\$ 136,363</u>	<u>\$ 679,191</u>

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, 2020 and 2019

#### 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.

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 facility 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., a 151-unit affordable housing residence in Hollywood, California, in partnership with Thomas Safran & Associates.

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.

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, 2020 and 2019**

**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, 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. At December 31, 2019, net assets with donor restrictions include \$855,350 of purpose restricted funds and \$4,775,860 restricted as to the passage of time. During the years ended December 31, 2020 and 2019, 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, 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. At December 31, 2019, net assets with donor restrictions include \$15,041,682 restricted to investment in endowment funds and \$5,598,790 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.

**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.

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

***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, transition reserves for the Palm View Residence 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.

Bequests, contributions and pledges receivable, net, consist of the following unconditional promises to give at December 31, 2020 and 2019:

	2020	2019
Amounts due in:		
Less than one year	\$ 1,673,765	\$ 870,172
One to three years	2,040,000	152,500
	3,713,765	1,022,672
Less: allowance for doubtful accounts and unamortized discount (at discount rates ranging from 1.36% to 3.46%)	(67,732)	(6,040)
	\$ 3,646,033	\$ 1,016,632

***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

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

***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.

***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 and marketing and administering programs for the entertainment community organizations.

***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 2020 and 2019, the revenue from Medicaid constituted 23% and 29% 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.

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

***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.

***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.

***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 29% and 52% of its total contributions, private grants and Broadway Cares/Equity Fights AIDS contribution revenues from organizations related to its Board of Trustees during the years ended December 31, 2020 and 2019, 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.

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

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.
- 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, deferred charges 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.



**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

***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, 2020, The Actors Fund received total grant funds of \$840,586. While the federal regulations have not yet been finalized, The Actors Fund believes it has met the conditions to retain these payments, which are included in grant, contracts and fee income within the 2020 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 must be paid by December 31, 2021, with the remaining balance due by December 31, 2022.

***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.

***Subsequent Events***

The Actors Fund has evaluated events occurring subsequent to December 31, 2020 through May 27, 2021 which represents the date the consolidated financial statements were available to be issued.

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

**NOTE 3 - LONG-TERM INVESTMENTS**

Investments at December 31, 2020 and 2019 consist of the following:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 1,216,682	\$ 1,216,682	\$ 878,631	\$ 878,631
Common stocks	10,934,025	7,276,361	9,999,640	7,374,581
Mutual funds	4,610,349	4,500,529	4,897,647	4,856,685
Corporate bonds	2,669,086	2,517,876	2,370,871	2,293,135
Government bonds	1,534,884	1,428,200	2,631,107	2,586,668
	<u>\$ 20,965,026</u>	<u>\$ 16,939,648</u>	<u>\$ 20,777,896</u>	<u>\$ 17,989,700</u>

The Actors Fund's investments are classified under Level 1 within the fair value hierarchy as of December 31, 2020 and 2019.

Investments are allocated amongst the net asset categories as follows:

	2020	2019
Without donor restrictions	\$ 3,142,373	\$ 3,039,015
With donor restrictions - passage of time	2,770,971	2,697,199
With donor restrictions - endowment funds	15,051,682	15,041,682
	<u>\$ 20,965,026</u>	<u>\$ 20,777,896</u>

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

Donor-restricted endowment funds, excluding perpetual trusts and pledges, at December 31, 2020 and 2019 consist of the following:

	2020	2019
Dorothy Ross Friedman	\$ 4,500,000	\$ 4,500,000
Percy Williams	3,254,762	3,254,762
Wayne F. Maxwell and David Samples	1,793,474	1,793,474
Lillian Booth	1,000,000	1,000,000
Gladys' Living Rooms Fund	1,000,000	1,000,000
Honey Waldman	860,408	860,408
Edwin Forrest	772,250	772,250
Noel Murphy	566,691	566,691
John Drew Fund	320,117	320,117
Joseph Callaway	281,461	281,461
Rudolf Nureyev Scholarship Fund	150,000	150,000
Carmen Diana Barth Educational Scholarship Fund	139,000	139,000
May V. Smith	112,500	112,500
Rosetta Brown	92,290	92,290
The Songwriters' Lifeline	71,431	61,431
Agnes De Mille Scholarship Fund	33,298	33,298
Lillian Sayers Memorial Scholarship Fund	30,000	30,000
Willard Swire Scholarship Fund	28,000	28,000
Charles Hollerith	25,000	25,000
The Violet Blumenfeld Scholarship Program	21,000	21,000
	\$ 15,051,682	\$ 15,041,682

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.

The following schedule summarizes investment gains (losses) and their classification on the accompanying consolidated statements of activities. For the years ended December 31, 2020 and 2019, realized and unrealized gains pertaining to annuity and trust investments, totaled \$328,878 and 753,973, respectively, and are included in the following chart:

	2020	2019
Dividends and interest (net of expenses of \$139,278 and \$158,021 in 2020 and 2019, respectively)	\$ 542,345	\$ 647,436
Net realized (losses) gains	(509,587)	497,720
Net unrealized gains	1,605,441	3,745,520
	1,638,199	4,890,676
Total investment return	1,638,199	4,890,676
Investment return designated for operations	(1,123,321)	(3,069,322)
Investment return, net of amounts designated for operations	\$ 514,878	\$ 1,821,354

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

**NOTE 4 - ANNUITY FUND AND TRUST INVESTMENTS**

The Actors Fund has established an annuity fund which is invested in equity securities, money market 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 liabilities are based on discount rates of 3.75% and 2% at December 31, 2020 and 2019, respectively, consistent with mortality tables provided by the Internal Revenue Service. The pooled income fund liabilities are based on discount rates of 3.75% and 2% at December 31, 2020 and 2019, respectively.

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 has been designated as the trustee of the unclaimed funds collected and pays the funds to the stipulated beneficiaries or the estate of the respective beneficiaries or transfers the funds to their Coogan Cash Account before the respective minor reaches the age of maturity or becomes emancipated.

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

Annuity Fund and Trusts assets at December 31, 2020 and 2019 consist of the following:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 528,225	\$ 528,225	\$ 331,591	\$ 331,591
Common stocks	3,043,547	2,119,943	2,611,238	2,010,001
Mutual funds	1,511,122	1,403,353	1,525,495	1,457,114
Corporate bonds	1,211,142	1,150,816	1,512,122	1,478,557
Government bonds	1,012,414	990,358	1,037,392	1,022,371
Total	<u>\$ 7,306,450</u>	<u>\$ 6,192,695</u>	<u>\$ 7,017,838</u>	<u>\$ 6,299,634</u>

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

	2020		2019	
	Asset	Liability	Asset	Liability
Annuity Fund	\$ 956,157	\$ 660,182	\$ 983,859	\$ 851,162
Pooled Income Fund	313,312	43,224	297,978	25,049
Unclaimed Coogan Trust	3,820,440	3,904,164	3,624,696	3,650,331
Charitable Remainder Unitrusts	2,216,541	1,223,633	2,111,305	1,208,888
	<u>\$ 7,306,450</u>	<u>\$ 5,831,203</u>	<u>\$ 7,017,838</u>	<u>\$ 5,735,430</u>

**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, 2020 and 2019:

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

	2020	2019
Beginning of year	\$ 5,598,790	\$ 4,831,701
Unrealized gains	518,329	767,089
End of year	\$ 6,117,119	\$ 5,598,790

**NOTE 6 - PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, at December 31, 2020 and 2019 consists of the following:

	2020	2019
Buildings and leasehold improvements	\$ 79,797,304	\$ 71,987,655
Furniture, fixtures and equipment	8,580,925	7,813,471
Less: Accumulated depreciation and amortization	(27,848,201)	(25,030,396)
	60,530,028	54,770,730
Land	5,422,976	4,969,319
Construction-in-progress	385,657	2,368,089
Property and equipment, net	\$ 66,338,661	\$ 62,108,138

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$2,969,963 and \$2,578,856, respectively. The Actors Fund disposed of certain fully depreciated assets totaling \$152,158 and \$195,218 during the years ended December 31, 2020 and 2019, respectively.

The Palm View Residence was approved for low-income housing tax credits in November 2019. The property has undergone major renovations at a total cost of \$6,235,561 and \$2,159,000 during the years ended December 31, 2020 and 2019, respectively. This project has been completed and the related assets placed into service as of December 31, 2020.

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.

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

**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 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.

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 \$271,597 and \$290,678 as of December 31, 2020 and 2019, respectively, are netted against bonds, notes and mortgages payable, net, on the accompanying consolidated statements of financial position.

Total interest expense associated with the Bonds for the years ended December 31, 2020 and 2019 totaled \$553,631 and \$572,132, respectively, which was included in operating expenses and allocated amongst the financial categories benefited for years ended 2020 and 2019, respectively.

Under the Bond agreement, The Actors Fund is required to meet certain covenants. The Actors Fund met these covenants as of December 31, 2020.

***Notes Payable - Palm View Residence***

The Palm View Residence assumed the loans from the City of West Hollywood for \$1,783,442, the County of Los Angeles for \$1,640,850, and The Actors Fund loan of \$4,122,411. These loans were subordinated to JP Morgan Chase 2019 Series F1 and F2 Bonds in November, 2019, further described below.

The City of West Hollywood and County of Los Angeles loans were amended and restated with interest rates of 1.5% and 2%, respectively, and with maturity periods of 55 years. Both are non-servicing loans.

The Actors Fund loan was amended and restated with an interest rate of 2.25% and a revised due date of August 31, 2073. The note receivable and corresponding payable between Actors Fund and AFHDC, respectively, are eliminated in consolidation.

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

In November 2019, the Los Angeles County Development Authority ("LACDA") issued Tax-Exempt Multi-family Housing Revenue Bonds in the total amount of \$8,000,000 secured by a deed of trust in the rental property. The Series F1 in the amount of \$3,524,000 matures November 1, 2040 and the Series F2 in the amount of \$4,476,000 matures May 18, 2021. The bonds bear interest during the construction phase at the Adjusted LIBOR Rate for a one-month Interest Period plus 2.5% (3.75% and 3.05% at December 31, 2020 and 2019, respectively). The loan is payable in interest-only installments until conversion to permanent financing as defined. The loan will be converted to permanent financing when debt service coverage ratio is 1.15 to 1.00 and 90% occupancy for three months. For the years ended December 31, 2020 and 2019, interest of \$74,445 and \$4,513, respectively, was incurred all of which was capitalized as construction in progress. \$6,816,418 and \$1,193,582 had been drawn on the loan for construction costs during the years ended December 31, 2020 and 2019, respectively.

Debt issuance costs, net of accumulated amortization, totaled \$275,256 and \$110,500 as of December 31, 2020 and 2019, respectively, and are related to the construction loan. Debt issuance costs on the above note are being amortized using straight-line method. Amortization of debt issuance costs is \$120,721 and \$6,500 for each of the years ended December 31, 2020 and 2019, respectively, and is included in interest expense on the consolidated statements of activities.

***Mortgages Payable***

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 \$61,010, inclusive of \$11,010 of interest, and another dated May 30, 2005, in the amount of \$200,843. The notes bear interest at 1% per annum and non-interest bearing, respectively, and are due June 30, 2025. The 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.

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, 2020 and 2019, \$1,792,961 and \$1,854,578, respectively, was outstanding under the loan agreement. The loan is nonrecourse and is secured by a mortgage 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, 2020 are as follows:

2021	\$ 5,313,885
2022	862,361
2023	882,291
2024	902,683
2025	923,547
Thereafter	28,362,375
	37,247,142
Less: Debt issuance costs	(546,852)
Total, net	\$ 36,700,290

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

***Paycheck Protection Program Loan***

On April 20, 2020, The Actors Fund of America (the "Borrower"), was granted a loan (the "AFA Loan") from TD Bank, in the aggregate amount of \$4,592,157, pursuant to the Small Business Administration Paycheck Protection Program (the "SBA PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The AFA Loan, which was in the form of a Note dated April 17, 2020 issued by the Borrower, matures on April 17, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on November 1, 2020. On August 13, 2020, The Actors Fund Housing Development Corporation ("AFHDC") was granted a loan from TD Bank in the aggregate amount of \$145,975, pursuant to the SBA PPP under Division A, Title 1 of the CARES Act (together with the AFA Loan, the "Loan"). The Loan may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities. The Actors Fund of America and AFHDC used the entire Loan amount for qualifying expenses. Under the terms of the SBA PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. Once the Loan forgiveness is granted, the extinguishment is recognized into income at that time.

***Line of Credit***

On October 25, 2017, The Actors Fund opened a \$6,000,000 revolving line of credit with a financial institution. Amounts borrowed under the line of credit bear interest based on the three-month LIBOR rate, plus 1.00%. The line of credit is secured by collateral held in an account with the same financial institution. As of December 31, 2020 and 2019, \$0 and \$1,000,000, respectively, were outstanding on this line of credit. As of December 31, 2020, and 2019, the interest rates on the revolving line of credit were 2% and 2.18%, respectively.

**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, 2020 and 2019**

The following summarizes the funded status of the plan and associated costs as of and for the years ended December 31, 2020 and 2019:

	2020	2019
Reconciliation of benefit obligation:		
Accumulated benefit obligation at January 1	\$ 18,450,736	\$ 16,223,149
Interest cost	581,975	666,874
Actuarial loss	2,115,106	2,240,988
Benefits paid	(744,039)	(680,275)
Accumulated benefit obligation at December 31	\$ 20,403,778	\$ 18,450,736
Reconciliation of fair value of plan assets:		
Fair value of plan assets at January 1	\$ 13,563,889	\$ 11,208,439
Actual return on plan assets	980,507	2,342,591
Employer contributions	406,238	693,134
Benefits paid	(744,039)	(680,275)
Fair value of plan assets at December 31	\$ 14,206,595	\$ 13,563,889
Projected benefit obligation	\$ (20,403,778)	\$ (18,450,736)
Fair value of plan assets	14,206,595	13,563,889
Funded status	\$ (6,197,183)	\$ (4,886,847)
	2020	2019
Amounts recognized on the consolidated statements of financial position consist of:		
Accrued benefit cost	\$ (147,963)	\$ (436,272)
Net assets without donor restrictions	(6,345,146)	(4,450,575)
Total accrued benefit liability	\$ (6,493,109)	\$ (4,886,847)
Interest cost	\$ 581,975	\$ 666,874
Expected return on plan assets	(869,358)	(760,893)
Amortization of net loss	109,386	88,923
Net periodic pension income	\$ (177,997)	\$ (5,096)

The estimated net actuarial loss, transition asset obligation and prior service cost for the pension plan that will be amortized from net assets without donor restrictions into net periodic benefit cost in the next fiscal year total \$(173,649), \$0, and \$0, respectively.

Amounts recognized in net assets without donor restrictions as of December 31, 2020 and 2019 consist of an actuarial loss of \$6,345,146 and \$4,450,575, respectively.

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

The weighted-average assumptions used to determine benefit obligations at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	2.43%	3.2%
Rate of compensation increase	N/A	N/A

The weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	2.43%	3.2%
Expected return on plan assets	6.50%	6.75%
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>2020</u>	<u>2019</u>
Benefit cost/(income)	\$ (177,997)	\$ (5,096)
Employer contributions	406,238	693,134
Benefits paid	(744,039)	(680,275)

Actual return on plan assets for the pension plan are net of approximately \$80,000 and \$79,000 of investment management fees in fiscal years 2020 and 2019, respectively.

The Actors Fund's pension plan weighted-average asset allocations at December 31, 2020 and 2019 are as follows:

<u>Asset Category</u>	<u>Allocation of Plan Assets at December 31, 2020</u>	<u>Allocation of Plan Assets at December 31, 2019</u>
Common stocks	64.88%	59.97%
Fixed income securities	33.05%	37.12%
Cash and cash equivalents	2.07%	2.91%
Total	<u>100.00%</u>	<u>100.00%</u>

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

The pension plan investments at December 31, 2020 and 2019 consist of the following:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Common stocks	9,217,089	6,619,098	\$ 8,134,164	\$ 6,461,062
Fixed income securities	4,695,542	4,602,033	5,034,528	5,002,132
Cash and cash equivalents	293,964	293,961	395,137	395,197
	<u>\$ 14,206,595</u>	<u>\$ 11,515,092</u>	<u>\$ 13,563,889</u>	<u>\$ 11,858,391</u>

The investments of the pension plan as of December 31, 2020 and 2019 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:

<u>Year Ending December 31,</u>	<u>Pension Benefit</u>
2021	\$ 775,553
2022	782,661
2023	789,957
2024	1,001,368
2025	1,025,040
Years 2026 - 2030	5,161,199

**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 2020 and 2019 totaled \$1,009,095 and \$985,243, 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 \$141,274 and \$141,780 for the years ended December 31, 2020 and 2019, respectively. Assets and liabilities associated with these plans totaled \$941,663 and \$653,648 as of December 31, 2020 and 2019, 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, 2020 and 2019**

**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, 2020 and 2019 totaled \$2,477,019 and \$2,654,271, respectively. The deferred rent liability included in the accompanying consolidated statements of financial position totals \$3,175,254 and \$2,931,262 as of December 31, 2020 and 2019, 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 \$104,098 and \$121,712 at December 31, 2020 and 2019, respectively, with accumulated amortization of \$69,758 and \$48,939 at December 31, 2020 and 2019, respectively. Principal payments for the years ended December 31, 2020 and 2019 under all capital leases totaled \$23,412 and \$20,419, respectively. Amounts outstanding under these capital leases are included in other liabilities on the accompanying consolidated statements of financial position at December 31, 2020 and 2019 and total \$28,122 and \$51,534, respectively.

Interest expense under capital leases for the years ended December 31, 2020 and 2019, totaled \$2,264 and \$3,905, respectively.

**THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2020 and 2019**

At December 31, 2020, 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>
2021	\$ 2,392,436	\$ 38,330	\$ 2,430,766
2022	2,431,801	36,917	2,468,718
2023	2,461,157	36,917	2,498,074
2024	2,640,560	9,229	2,649,789
2025	2,430,155	-	2,430,155
Thereafter	16,809,521	-	16,809,521
	<u>\$ 29,165,630</u>	<u>\$ 121,393</u>	<u>\$ 29,287,023</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, 2020 and 2019**

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, 2020 and 2019 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, 2020 and 2019.

Donor Restricted Endowment Funds	2020	2019
Endowment net assets, beginning of year	\$ 17,738,882	\$ 14,927,959
New endowments	10,000	548,502
Investment gain	824,159	2,912,130
Investment return designated for operations	(750,388)	(649,709)
Endowment net assets, end of year	\$ 17,822,653	\$ 17,738,882

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, 2020 and 2019**

**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, 2020 and 2019, the following financial assets could readily be made available within one year of the consolidated balance sheet date to meet operating expenditures:

	2020	2019
Cash and cash equivalents	\$ 32,296,402	\$ 3,175,831
Restricted cash	944,450	1,155,368
Accounts and other receivables less allowance for doubtful accounts of \$245,000 and \$197,554, respectively	3,552,765	2,279,583
Bequests, contribution and pledges receivables, net	3,646,033	1,016,632
Long-term investments	20,965,026	20,777,896
Annuity and trust investments	7,306,450	7,017,838
Total financial assets	68,711,126	35,423,148
Less:		
Donor Restricted Funds:		
Anticipated collections on bequest, pledges and contributions receivable after one year	2,040,000	152,500
Purpose restricted contributions	2,073,028	855,350
Restricted endowment investments	15,051,682	15,041,682
Total donor restricted funds	19,164,710	16,049,532
Contractually Restricted:		
Amounts held in annuity and trust investments	7,306,450	7,017,838
Amounts held as security deposits or reserves	944,450	1,155,368
Total contractually restricted	8,250,900	8,173,206
Add:		
Endowment fund appropriation for following year	1,283,618	1,272,918
Financial assets available to meet cash needs for general expenditures within one year	\$ 42,579,134	\$ 12,473,328