

Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES

As of December 31, 2018 and 2017

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES

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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 "The Actors Fund"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017, and the changes in their consolidated 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 31, 2019

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 4,234,747	\$ 5,401,107
Deposits with bond trustee	4,057,008	7,826,095
Restricted cash	1,148,388	800,176
Accounts and other receivables, less allowance for doubtful accounts of \$153,400 and \$214,000 in 2018 and 2017, respectively	2,090,233	2,381,875
Bequests, contributions and pledges receivable, net (Note 2)	2,229,905	4,637,159
Prepaid expenses and other assets (Note 8)	1,187,958	996,015
Long-term investments (Note 3)	19,737,388	21,401,149
Annuity and trust investments (Note 4)	6,473,456	7,493,324
Perpetual trusts (Note 5)	4,831,701	5,515,758
Property and equipment, net (Note 6)	<u>59,245,601</u>	<u>44,763,207</u>
Total assets	<u>\$ 105,236,385</u>	<u>\$ 101,215,865</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 6,995,691	\$ 4,976,951
Deferred revenue	480,852	726,796
Annuities and trust payable (Note 4)	5,558,045	5,773,992
Deferred rent (Note 9)	2,857,554	2,798,057
Other liabilities	1,305,743	1,237,116
Bonds, notes, and mortgages payable, net (Note 7)	30,306,900	26,907,245
Postretirement benefit obligations, net of plan assets of \$11,208,439 and \$11,747,618 in 2018 and 2017, respectively (Note 8)	<u>5,610,918</u>	<u>6,587,378</u>
Total liabilities	<u>53,115,703</u>	<u>49,007,535</u>
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 10)		
Without donor restrictions	28,797,184	25,095,353
With donor restrictions (Notes 2 and 10)	<u>23,323,498</u>	<u>27,112,977</u>
Total net assets	<u>52,120,682</u>	<u>52,208,330</u>
Total liabilities and net assets	<u>\$ 105,236,385</u>	<u>\$ 101,215,865</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
Support and revenues:			
Contributions and private grants	\$ 7,021,892	\$ 135,615	\$ 7,157,507
Special events	4,292,879	-	4,292,879
BC/EFA grants (Note 2)	6,500,000	-	6,500,000
Bequests	1,731,208	965,892	2,697,100
Government grants and contracts	3,604,911	-	3,604,911
Housing rental revenue	2,198,256	-	2,198,256
Net patient and resident services revenue (Note 2)	11,835,605	-	11,835,605
Investment return designated for operations (Note 3)	437,401	627,894	1,065,295
Net assets released from restrictions (Note 2)	2,532,120	(2,532,120)	-
Total support and revenues	<u>40,154,272</u>	<u>(802,719)</u>	<u>39,351,553</u>
EXPENSES			
Program services:			
Social services	9,667,280	-	9,667,280
Employment and training	2,952,171	-	2,952,171
Health services	1,998,703	-	1,998,703
Housing	4,838,789	-	4,838,789
Patient and resident services	15,132,284	-	15,132,284
Total program services	<u>34,589,227</u>	<u>-</u>	<u>34,589,227</u>
Supporting services:			
General and administrative	1,585,701	-	1,585,701
Advancement	6,023,728	-	6,023,728
Total supporting services	<u>7,609,429</u>	<u>-</u>	<u>7,609,429</u>
Total expenses	<u>42,198,656</u>	<u>-</u>	<u>42,198,656</u>
Changes in net assets from operating activities	<u>(2,044,384)</u>	<u>(802,719)</u>	<u>(2,847,103)</u>
NONOPERATING ACTIVITIES			
Change in value of split-interest agreements	(5,845)	(633,574)	(639,419)
Investment loss, net of amounts designated for current operations (Note 3)	(801,016)	(1,453,916)	(2,254,932)
Pension benefit related activities, other than net periodic pension cost	498,277	-	498,277
Grants, contributions and pledges for capital, net of release of restricted funds for capital expenditures	1,513,198	(899,270)	613,928
Recovery of note receivable	4,541,601	-	4,541,601
Total nonoperating activities	<u>5,746,215</u>	<u>(2,986,760)</u>	<u>2,759,455</u>
Changes in net assets	3,701,831	(3,789,479)	(87,648)
Net assets, beginning of year	<u>25,095,353</u>	<u>27,112,977</u>	<u>52,208,330</u>
Net assets, end of year	<u>\$ 28,797,184</u>	<u>\$ 23,323,498</u>	<u>\$ 52,120,682</u>

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, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Support and revenues:			
Contributions and private grants	\$ 6,859,740	\$ 920,883	\$ 7,780,623
Special events	3,116,253	-	3,116,253
BC/EFA grants (Note 2)	4,474,000	1,200,000	5,674,000
Bequests	4,475,164	825,000	5,300,164
Government grants and contracts	3,613,715	-	3,613,715
Housing rental revenue	2,089,810	-	2,089,810
Net patient and resident services revenue (Note 2)	9,583,775	-	9,583,775
Investment return designated for operations (Note 3)	769,375	-	769,375
Net assets released from restrictions (Note 2)	1,251,677	(1,251,677)	-
Total support and revenues	<u>36,233,509</u>	<u>1,694,206</u>	<u>37,927,715</u>
EXPENSES			
Program services:			
Social services	9,141,379	-	9,141,379
Employment and training	2,877,359	-	2,877,359
Health services	2,343,732	-	2,343,732
Housing	4,555,587	-	4,555,587
Patient and resident services	12,378,203	-	12,378,203
Total program services	<u>31,296,260</u>	<u>-</u>	<u>31,296,260</u>
Supporting services:			
General and administrative	1,531,644	-	1,531,644
Advancement	5,296,373	-	5,296,373
Total supporting services	<u>6,828,017</u>	<u>-</u>	<u>6,828,017</u>
Total expenses	<u>38,124,277</u>	<u>-</u>	<u>38,124,277</u>
Changes in net assets from operating activities	<u>(1,890,768)</u>	<u>1,694,206</u>	<u>(196,562)</u>
NONOPERATING ACTIVITIES			
Change in value of split-interest agreements	-	412,139	412,139
Investment gain, net of amounts designated for current operations (Note 3)	1,380,542	1,329,666	2,710,208
Pension benefit related activities, other than net periodic pension cost	(120,912)	-	(120,912)
Grants, contributions and pledges for capital, net of release of restricted funds for capital expenditures	3,972,821	(3,147,259)	825,562
Loss on disposal of property and equipment	(536,729)	-	(536,729)
Total nonoperating activities	<u>4,695,722</u>	<u>(1,405,454)</u>	<u>3,290,268</u>
Changes in net assets	2,804,954	288,752	3,093,706
Net assets, beginning of year	<u>22,290,399</u>	<u>26,824,225</u>	<u>49,114,624</u>
Net assets, end of year	<u>\$ 25,095,353</u>	<u>\$ 27,112,977</u>	<u>\$ 52,208,330</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, 2018

	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	\$ 2,132,507	\$ 214,971	\$ 553,343	\$ 807,082	\$ 2,195,815	\$ -	\$ -	\$ 5,903,718
Fundraising and events	-	-	-	-	-	-	2,273,703	2,273,703
Payroll and benefits	5,195,512	1,885,825	935,686	1,575,946	9,870,266	905,918	2,408,791	22,777,944
General office	549,417	233,083	120,074	396,094	852,671	176,116	417,674	2,745,129
Professional fees and outside services	497,676	157,343	141,510	593,803	247,104	106,691	240,474	1,984,601
Occupancy and facilities	1,037,875	375,088	208,400	925,957	603,884	258,315	535,312	3,944,831
Interest expense	1,744	623	237	46,457	115,500	20,708	844	186,113
Depreciation and amortization	252,549	85,238	39,453	493,450	1,247,044	117,953	146,930	2,382,617
	<u>\$ 9,667,280</u>	<u>\$ 2,952,171</u>	<u>\$ 1,998,703</u>	<u>\$ 4,838,789</u>	<u>\$ 15,132,284</u>	<u>\$ 1,585,701</u>	<u>\$ 6,023,728</u>	<u>\$ 42,198,656</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, 2017

	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	\$ 2,205,859	\$ 298,529	\$ 655,941	\$ 820,570	\$ 1,543,602	\$ -	\$ -	\$ 5,524,501
Fundraising and events	-	-	-	-	-	-	1,877,919	1,877,919
Payroll and benefits	4,903,958	1,732,098	1,056,958	1,498,173	8,297,173	841,035	2,176,108	20,505,503
General office	499,466	220,302	160,956	379,485	638,614	141,447	383,873	2,424,143
Professional fees and outside services	433,934	136,558	130,024	590,601	216,936	119,220	260,603	1,887,876
Occupancy and facilities	910,449	397,670	213,527	826,386	647,100	290,412	493,931	3,779,475
Interest expense	2,335	928	375	47,899	115,500	23,944	945	191,926
Depreciation and amortization	185,378	91,274	125,951	392,473	919,278	115,586	102,994	1,932,934
	<u>\$ 9,141,379</u>	<u>\$ 2,877,359</u>	<u>\$ 2,343,732</u>	<u>\$ 4,555,587</u>	<u>\$ 12,378,203</u>	<u>\$ 1,531,644</u>	<u>\$ 5,296,373</u>	<u>\$ 38,124,277</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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (87,648)	\$ 3,093,706
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,382,617	1,932,934
Change in allowance and discount on bequests, contributions and pledges receivable	(59,735)	(56,219)
Change in provision for doubtful accounts	(60,041)	57,431
Accrued interest on notes payable	15,629	500
Net realized and unrealized losses (gains) on investments	1,842,635	(3,083,310)
Noncash recovery of note receivable	(4,107,282)	-
Contributions restricted to annuity agreements, endowments and capital, including donated securities	(2,691,745)	(3,177,399)
Loss on disposal of property and equipment	-	536,729
Changes in operating assets and liabilities:		
Restricted cash	(348,212)	(195,627)
Accounts and other receivables	330,199	(952,785)
Bequests, contributions and pledges receivable	2,466,989	1,672,476
Annuity and trust investments	1,019,868	(273,379)
Prepaid expenses and other assets	(191,943)	(293,164)
Accounts payable and accrued expenses	2,018,740	(464,543)
Deferred revenue	(245,944)	533,872
Deferred rent	59,497	721,439
Annuities and trust payable	(215,947)	(140,028)
Other liabilities	121,654	130,100
Postretirement benefit obligations	(976,460)	81,515
Net cash provided by operating activities	<u>1,272,871</u>	<u>124,248</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and sales of investments	4,875,557	11,938,618
Purchases of investments	(5,054,431)	(10,999,679)
Acquisition of property and equipment	(9,314,500)	(13,033,690)
Net cash used in investing activities	<u>(9,493,374)</u>	<u>(12,094,751)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to annuity agreements and endowments, including donated securities	2,691,745	3,177,399
Payments of line of credit	-	(1,827,975)
Principal payments on capital lease obligations	(31,543)	(37,356)
Principal payments on bonds and mortgages payable	(59,203)	(58,032)
Decrease (increase) in perpetual trusts	684,057	(592,485)
Decrease in deposits with bond trustee	3,769,087	9,646,807
Net cash provided by financing activities	<u>7,054,143</u>	<u>10,308,358</u>
Net decrease in cash and cash equivalents	(1,166,360)	(1,662,145)
Cash and cash equivalents, beginning of year	<u>5,401,107</u>	<u>7,063,252</u>
Cash and cash equivalents, end of year	<u>\$ 4,234,747</u>	<u>\$ 5,401,107</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 642,883</u>	<u>\$ 649,516</u>
Construction costs included in accounts payable and accrued expenses	<u>\$ 3,362,124</u>	<u>\$ 740,217</u>
Notes payable assumed in connection with acquisition of Palm View Residences	<u>\$ 3,424,402</u>	<u>\$ -</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, 2018 and 2017

1. ORGANIZATION

The Actors' Fund of America ("The Actors Fund") was founded in 1882 to provide a safety net for performing arts and entertainment professionals in the United States of America. The Actors Fund Housing Development Corporation ("AFHDC"), a subsidiary, was established in 2009 to carry out The Actors Fund's activities in the area of senior, supportive and affordable housing.

The Actors Fund is a national human services organization that fosters stability and resiliency, and provides a safety net for performing arts and entertainment professionals over their lifespan. Through offices in New York, Los Angeles and Chicago, The Actors Fund serves everyone in film, theater, television, music, opera, radio and dance with programs including social services and emergency financial assistance, health care and insurance counseling, housing, and secondary employment and training services.

The Actors Fund owns and operates The Actors Fund Home ("The Home"), a 149-bed residence consists of a short-stay rehabilitation, assisted living, and skilled nursing facility in Englewood, New Jersey, The Dorothy Ross Friedman Residence in Manhattan, New York, a 178-unit supportive housing residence, and The 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. The Actors Fund also co-owns The Schermerhorn, a 217-unit affordable housing residence in Brooklyn, New York, in a partnership with Breaking Ground.

The Actors' Fund of America 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.

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 of America and AFHDC have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). All significant intercompany accounts and transactions have been eliminated in preparing the accompanying consolidated financial statements.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"). The ASU amends the current reporting model for not-for-profit organizations and requires certain additional disclosures. The significant changes include:

Requiring the presentation of two net asset classes classified as "net assets without donor restrictions" and "net assets with donor restrictions";

Modifying the presentation of underwater endowment funds and related disclosures;

Requiring the use of the placed in service approach to recognize the satisfaction of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise;

THE ACTORS' FUND OF AMERICA AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Requiring that all not-for-profits present an analysis of expenses by function and nature in a separate statement or in the notes to the financial statements;

Requiring disclosure of quantitative and qualitative information on liquidity;

Presenting investment return net of external and direct internal investment expenses; and

Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness to the reader.

As required by the standard, the Actors Fund adopted ASU No. 2016-14 as of and for the year ended December 31, 2018.

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.

With donor restrictions - Represent net assets which are subject to donor-imposed restrictions whose use is restricted by time and/or purpose. When donor restrictions expire, 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. Another portion of net assets with donor restrictions stipulates that the corpus of the gifts be maintained in perpetuity, but allow for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes.

At December 31, 2018, net assets with donor restrictions include \$788,792 of purpose restricted funds and \$2,697,836 restricted as to the passage of time. At December 31, 2017, net assets with donor restrictions include \$4,393,867 of purpose restricted funds and \$3,231,884 restricted as to the passage of time. During the years ended December 31, 2018 and 2017, amounts released from restrictions represent funds spent for the donor-stipulated purpose and/or the passage of time.

At December 31, 2018, net assets with donor restrictions include \$14,493,180 restricted to investment in endowment funds, \$511,989 of pledges receivable restricted to investment in endowment funds and \$4,831,701 of perpetual trusts established by several donors. At December 31, 2017, net assets with donor restrictions includes \$13,471,467 restricted to investment in endowment funds, \$500,000 of pledges receivable restricted to investment in endowment funds and \$5,515,759 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 category in the consolidated statement of activities.

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Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Use of Estimates

The preparation of financial statements in conformity with US 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, operating and replacement reserves for the Palm View Residence, as required by City of West Hollywood and LA Housing Authority, are classified under the 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 (i.e., when a receipt and release form is received from an attorney) and The Actors Fund has an irrevocable interest in the gifted assets. 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
December 31, 2018 and 2017

Bequests, contributions and pledges receivable, net, consist of the following unconditional promises to give at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 1,703,823	\$ 3,731,312
One to three years	<u>544,500</u>	<u>984,000</u>
	2,248,323	4,715,312
Less: allowance for doubtful accounts and unamortized discount (at discount rates ranging from 2.20% to 4.25%)	<u>(18,418)</u>	<u>(78,153)</u>
	<u>\$ 2,229,905</u>	<u>\$ 4,637,159</u>

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 \$5,000 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, 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, equipment	5 to 10 years

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 US GAAP has not been met. In addition, The Actors Fund received contributed medical services, with a fair value of approximately \$0 and \$19,500 in fiscal years 2018 and 2017, respectively, which has been reflected as a component of contribution revenue and health services expense on the accompanying consolidated statements of activities.

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.

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Government Grants and Contracts

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.

Net Patient and Resident Services Revenue

Net patient and resident services revenue is reported based on the estimated net realizable amounts expected to be collected from residents, third-party payors and others for services rendered. At December 31, 2018 and 2017, the allowance for doubtful accounts for net patient and resident services totaled \$150,000 and \$210,000, respectively. The allowance for doubtful accounts is estimated at 10% of accounts receivable after adjusting for a specific allowance recorded for certain balances which management has evaluated as being potentially uncollectible and Medicaid pending reserve balances. During fiscal years 2018 and 2017, the net revenue from Medicaid constituted 37% and 45% of total net patient and resident services revenue, respectively.

Patient services revenue is presented net of a reserve of approximately \$371,000 and \$272,000 for the years ended December 31, 2018 and 2017, respectively, for Medicaid Pending and Nursing Home Provider Assessment Fees.

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.

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 statements 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 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.

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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 56% and 47% 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, 2018 and 2017, respectively. The Actors Fund believes that its credit risks are not significant.

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 US 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.
- 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

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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.

Subsequent Events

The Actors Fund has evaluated events occurring subsequent to December 31, 2018 through May 31, 2019, which represents the date the consolidated financial statements were available to be issued. The Actors Fund is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

Reclassifications

Certain information in the fiscal 2017 consolidated financial statements has been reclassified to conform to the fiscal 2018 presentation. There were no changes in total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2017 consolidated financial statements as previously reported.

3. LONG-TERM INVESTMENTS

Investments at December 31, 2018 and 2017 consist of the following:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 141,551	\$ 141,551	\$ 828,886	\$ 828,886
Common stocks	8,174,271	7,869,726	8,582,048	7,839,971
Mutual funds	5,561,835	5,972,993	7,716,550	7,010,792
Corporate bonds	3,019,846	3,113,514	2,199,841	2,193,268
Government bonds	2,839,885	2,905,831	2,073,824	2,108,441
	\$ 19,737,388	\$ 20,003,615	\$ 21,401,149	\$ 19,981,358

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The Actors Fund's investments are classified under Level 1 within the fair value hierarchy as of December 31, 2018 and 2017.

Investments are allocated amongst the net asset categories as follows:

	<u>2018</u>	<u>2017</u>
Without Donor Restrictions	\$ 4,809,428	\$ 6,156,284
With Donor Restrictions - Purpose Restrictions	434,780	1,733,088
With Donor Restrictions - Endowment Funds	<u>14,493,180</u>	<u>13,511,777</u>
	<u>\$ 19,737,388</u>	<u>\$ 21,401,149</u>

Donor-restricted endowment funds, excluding perpetual trusts and pledges, at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Dorothy Ross Friedman	\$ 4,500,000	\$ 4,000,000
Percy Williams	3,254,762	3,254,762
Wayne F. Maxwell and David Samples	1,306,403	825,000
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
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	<u>21,000</u>	<u>21,000</u>
	<u>\$ 14,493,180</u>	<u>\$ 13,511,777</u>

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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 and their classification on the accompanying consolidated statements of activities. For the years ended December 31, 2018 and 2017, realized and unrealized gains pertaining to annuity and trust investments, totaled \$(343,568) and \$517,751, respectively, and are included in the following chart.

	<u>2018</u>	<u>2017</u>
Dividends and interest (net of expenses of \$162,896 and \$168,848 in 2018 and 2017, respectively)	\$ 652,997	\$ 396,273
Net realized gains	193,046	2,209,392
Net unrealized (losses) gains	<u>(2,035,680)</u>	<u>873,918</u>
Total investment (losses) return	(1,189,637)	3,479,583
Investment return designated for operations	<u>(1,065,295)</u>	<u>(769,375)</u>
Investment return, net of amounts designated for operations	<u>\$ (2,254,932)</u>	<u>\$ 2,710,208</u>

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 ranging between 1.2% and 8.2% at December 31, 2018 and 2017, consistent with mortality tables provided by the Internal Revenue Service. The pooled income fund liabilities are based on discount rates of 3.6% and 2.6% at December 31, 2018 and 2017, 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.

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

	<u>2018</u>		<u>2017</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Annuity Fund	\$ 965,286	\$ 831,239	\$ 1,159,345	\$ 926,250
Pooled Income Fund	272,904	41,611	291,825	34,312
Unclaimed Coogan Trust	3,378,387	3,587,720	3,551,011	3,434,069
Charitable Remainder Unitrusts	1,856,879	1,097,475	2,491,143	1,379,361
	<u>\$ 6,473,456</u>	<u>\$ 5,558,045</u>	<u>\$ 7,493,324</u>	<u>\$ 5,773,992</u>

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, 2018 and 2017:

Perpetual Trusts:	<u>2018</u>	<u>2017</u>
Beginning of year	\$ 5,515,758	\$ 4,923,273
Unrealized (losses) gains	(684,057)	592,485
End of year	<u>\$ 4,831,701</u>	<u>\$ 5,515,758</u>

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at December 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Buildings and leasehold improvements	\$ 60,819,484	\$ 53,007,208
Furniture, fixtures and equipment	7,137,642	6,977,228
Less: Accumulated depreciation and amortization	(22,646,759)	(20,503,390)
	45,310,367	39,481,046
Land	4,518,759	3,600,000
Construction in progress	9,416,475	1,682,161
Property and equipment, net	<u>\$ 59,245,601</u>	<u>\$ 44,763,207</u>

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$2,363,790 and \$1,914,550, respectively. The Actors Fund disposed of assets totaling \$220,422 and \$1,955,243 during the years ended December 31, 2018 and 2017, respectively. In connection with the on-going construction activities at The Home, The Actors Fund recognized a loss of \$536,729 in 2017 associated with the demolition of certain assets.

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The Dorothy Ross Friedman Residence, a 30-story, 178 affordable housing unit provides supportive housing to special low-income groups including for 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. The Actors Fund Housing Development Corporation, through its single member LLC, Friedman Residence, LLC, acquired the property in March 2011 and operates as commercial and affordable rental property. The second floor condominium unit is owned by The Actors Fund.

The Palm View Residence is a 40-unit apartment complex that provides homes to low-income people with disabilities or who are living with HIV/AIDS in West Hollywood, California. Opened in 1998, The Palm was managed by the West Hollywood Community Housing Corporation (WHCHC). The Palm View Residence was acquired by AFHDC on November 20, 2018.

The Actors Fund owns approximately 2,400 burial plots, which existed since 1930, that are substantially occupied, in New York and Pennsylvania for which no value has been assigned to on 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.

7. BONDS, NOTES, AND MORTGAGES PAYABLE, NET

Bonds Payable

In August of 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 (the "Bond Agreement"), 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 ten (10) years inclusive of a 30-month interest only period followed by principal and interest payments based upon a twenty-five 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 addition to customary operating covenants, the Bond Agreement and the Continuing Covenants Agreement include the following financial covenants:

- (a) The Actors Fund must maintain a Debt Service Coverage Ratio of at least 1.20 to 1.00. Compliance with this covenant is tested semi-annually on a rolling 4-quarter basis based upon The Actors Fund's audited consolidated financial statements. "Debt Service Coverage Ratio" is defined as: Funds Available for Debt Service to the Actual Annual Debt Service Requirement on all Long Term Indebtedness, less amounts available from the proceeds of Long Term Indebtedness to pay interest on such Long Term Indebtedness during the period in question.

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- (b) The Actors Fund must maintain a minimum Unrestricted Cash balance of \$2,000,000 at all times, to be tested semi-annually.
- (c) Without the prior consent of TD, The Actors Fund cannot incur additional indebtedness, except that it can continue to maintain its working capital facility up to \$3,000,000 without the prior approval of TD. In addition, The Actors Fund is prohibited from guarantying additional indebtedness and from making loans and advances to third parties.

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 \$309,961 and \$328,788 as of December 31, 2018 and 2017, respectively, are netted against bonds and mortgages payable, net, on the accompanying consolidated statements of financial position.

Maturities of the bonds payable at December 31, 2018 are as follows:

2019	\$ 621,889
2020	762,227
2021	780,022
2022	798,232
2023	816,868
Thereafter	<u>21,220,762</u>
	<u>\$ 25,000,000</u>

Total interest expense associated with the Bonds for the years ended December 31, 2018 and 2017 totaled \$577,500 in each year. \$115,500 was included in operating expenses for each of the years ended 2018 and 2017 and the remainder was capitalized as part of construction in progress.

Notes Payable

The Palm View Residence was acquired by AFHDC through its ownership in the 980 North Palm, L.P. (“Partnership”), which is to be syndicated in 2019 using the Low Income Housing Tax Credit (LIHTC). The acquisition included the Partnership assuming 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 are subject to subordination for the syndication.

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 original note receivable had previously been fully reserved by The Actors Fund due to uncertainty of collection. With the acquisition of the property, the note receivable was reinstated by The Actors Fund. The reinstatement of loan resulted in a nonoperating gain of \$4,541,601. The note receivable and corresponding payable between Actors Fund and AFHDC, respectively, are eliminated in consolidation. Following the elimination of the receivable, the net effect of this transaction on The Actors Fund resulted in the assumption of the liabilities identified above and property with an appraised fair value of approximately \$7,500,000.

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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, 2018 and 2017, \$1,914,977 and \$1,974,180, 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.

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 3-month LIBOR rate, plus 1.00%. The line of credit is secured by collateral held in an account with the same financial institution and is set to expire on October 24, 2019. As of December 31, 2018, there is no balance outstanding on this line of credit.

8. RETIREMENT BENEFITS

Defined Benefit Pension Plan

The Actors Fund has 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.

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The following summarizes the funded status of the plan and associated costs as of and for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Reconciliation of benefit obligation:		
Accumulated benefit obligation at January 1st	\$ 17,837,385	\$ 16,577,149
Interest cost	616,634	662,335
Actuarial (gain)/loss	(1,571,315)	1,264,877
Benefits paid	<u>(659,285)</u>	<u>(666,976)</u>
Accumulated benefit obligation at December 31st	<u>\$ 16,223,419</u>	<u>\$ 17,837,385</u>
Reconciliation of fair value of plan assets:		
Fair value of plan assets at January 1st	\$ 11,747,618	\$ 10,353,595
Actual return on plan assets	(580,155)	1,531,156
Employer contributions	700,261	529,843
Benefits paid	<u>(659,285)</u>	<u>(666,976)</u>
Fair value of plan assets at December 31st	<u>\$ 11,208,439</u>	<u>\$ 11,747,618</u>
Projected benefit obligation	\$ (16,223,419)	\$ (17,837,385)
Fair value of plan assets	<u>11,208,439</u>	<u>11,747,618</u>
Funded status	<u>\$ (5,014,980)</u>	<u>\$ (6,089,767)</u>
	<u>2018</u>	<u>2017</u>
Amounts recognized on the consolidated statements of financial position consist of:		
Accrued benefit cost	\$ (1,134,502)	\$ (1,711,282)
Unrestricted net assets	<u>(3,880,208)</u>	<u>(4,378,485)</u>
Total accrued benefit liability	<u>\$ (5,014,710)</u>	<u>\$ (6,089,767)</u>
Interest cost	\$ 616,364	\$ 662,335
Expected return on plan assets	(793,870)	(695,162)
Amortization of net loss	<u>300,987</u>	<u>307,971</u>
Net periodic pension expense	<u>\$ 123,481</u>	<u>\$ 275,144</u>

The estimated net actuarial loss, transition asset obligation and prior service cost for the pension plan that will be amortized from unrestricted net assets into net periodic benefit cost in the next fiscal year total (\$274,349), \$0 and \$0, respectively.

Amounts recognized in net assets without donor restrictions as of December 31, 2018 and 2017 consist of an actuarial loss of \$3,880,208 and \$4,378,485, respectively.

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The weighted-average assumptions used to determine benefit obligations at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	4.20 %	3.55 %
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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate	4.20 %	4.06 %
Expected return on plan assets	6.75 %	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>2018</u>	<u>2017</u>
Benefit cost	\$ 123,481	\$ 275,144
Employer contributions	700,261	529,843
Benefits paid	(659,285)	(666,976)

Benefits paid for the pension plan include approximately \$75,000 and \$117,000 of investment management fees in fiscal years 2018 and 2017, respectively.

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The Actors Fund's pension plan weighted-average asset allocations at December 31, 2018 and 2017 are as follows:

Asset Category	Allocation of Plan Assets at December 31, 2018	Allocation of Plan Assets at December 31, 2017
Common stocks	59.77 %	58.49 %
Fixed income securities	39.62 %	35.99 %
Cash and cash equivalents	<u>0.61 %</u>	<u>5.52 %</u>
Total	<u>100.00 %</u>	<u>100.00 %</u>

The pension plan investments at December 31, 2018 and 2017 consist of the following:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Common stocks	\$ 6,699,231	\$ 6,716,279	\$ 6,870,950	\$ 6,167,049
Fixed income securities	4,440,561	4,602,364	4,228,514	4,244,663
Cash and cash equivalents	<u>68,647</u>	<u>68,647</u>	<u>648,154</u>	<u>648,154</u>
	<u>\$ 11,208,439</u>	<u>\$ 11,387,290</u>	<u>\$ 11,747,618</u>	<u>\$ 11,059,866</u>

The investments of the pension plan as of December 31, 2018 and 2017 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:

	Pension Benefits
Year Ending December 31,	
2019	\$ 718,004
2020	757,485
2021	767,720
2022	773,705
2023	779,944
Years 2024 - 2028	5,053,615

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 3% 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 2018 and 2017 totaled \$929,313 and \$848,743, respectively.

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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 \$141,970 and \$132,483 for the years ended December 31, 2018 and 2017, respectively. Liabilities associated with these plans totaled \$596,208 and \$497,611 as of December 31, 2018 and 2017, respectively. Such liabilities are included as part of the postretirement benefit obligations, net of plan assets line on the consolidated statements of financial position.

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 2030. Certain of these lease agreements have renewal clauses which range from one to five 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, 2018 and 2017 totaled \$2,551,540 and \$2,449,986, respectively. The deferred rent liability included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position totals \$2,857,554 and \$2,798,057 as of December 31, 2018 and 2017, 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 \$81,829 and \$161,118 at December 31, 2018 and 2017, respectively, with accumulated amortization of \$49,071 and \$96,380 at December 31, 2018 and 2017, respectively. Principal payments for the years ended December 31, 2018 and 2017 under all capital leases totaled \$31,543 and \$37,356, respectively. Amounts outstanding under these capital leases are included in other liabilities on the accompanying consolidated statements of financial position at December 31, 2018 and 2017 and total \$32,071 and \$63,614, respectively.

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Interest expense under capital leases for the years ended December 31, 2018 and 2017, totaled \$4,675 and \$7,632, respectively.

At December 31, 2018, future minimal annual payments due under both operating and capital leases are as follows:

	<u>Operating Leases</u>	<u>Capital Leases</u>	<u>Total</u>
Year Ending December 31,			
2019	\$ 2,175,821	\$ 18,606	\$ 2,194,427
2020	1,897,369	16,956	1,914,325
2021	1,891,348	1,413	1,892,761
2022	1,917,033	-	1,917,033
2023	1,897,970	-	1,897,970
2024 - 2030	<u>14,440,487</u>	<u>-</u>	<u>14,440,487</u>
	<u>\$ 24,220,028</u>	<u>\$ 36,975</u>	<u>\$ 24,257,003</u>

Income Taxes

Under the Accounting Standards Codification Topic 740, “*Accounting for Uncertainty in Income Taxes*,” guidance was issued which 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 standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. The Actors Fund does not believe it has any uncertain tax positions. The Actors Fund has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and, to review other matters that may be considered tax positions.

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.

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

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New York in September 2010, and also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds.

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 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 or for donor-specified periods. 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 pledges receivables, as of December 31, 2018 and 2017 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, 2018 and 2017.

Donor Restricted Endowment Funds	2018	2017
Endowment net assets, beginning of year	\$ 15,204,554	\$ 12,339,327
New endowments	1,021,713	1,581,818
Investment (loss)/gain	(670,414)	1,762,242
Investment return designated for operations	<u>(627,894)</u>	<u>(478,833)</u>
Endowment net assets, end of year	<u>\$ 14,927,959</u>	<u>\$ 15,204,554</u>

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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.

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, 2018, the following financial assets could readily be made available within one year of the balance sheet date to meet operating expenditures:

Cash and cash equivalents	\$ 4,234,747
Deposits with bond trustee	4,057,008
Restricted cash	1,148,388
Accounts and other receivables	
net of allowance for doubtful accounts of approximately \$153,400	2,090,233
Bequests, contribution and pledges receivables, net	2,229,905
Long-term investments	19,737,388
Annuity and trust investments	<u>6,473,456</u>
Total financial assets	<u>39,971,125</u>
Less:	
Donor Restricted Funds:	
Anticipated collections on bequest, pledges and contributions receivable after one year	544,500
Purpose restricted contribution	788,792
Contribution receivable restricted to endowments	511,989
Restricted endowment investments	<u>14,493,180</u>
Total donor restricted funds	<u>16,338,461</u>
Contractually Restricted:	
Amounts held in annuity and trust investments	6,473,456
Amounts held by bond trustee	4,057,008
Amounts held as security deposits or reserves	<u>1,148,388</u>
Total contractually restricted	<u>11,678,852</u>
Add:	
Endowment fund appropriation for following year	<u>1,234,523</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,188,335</u>