CHESAPEAKE SHAKESPEARE COMPANY

FINANCIAL REPORT

AUGUST 31, 2022

CONTENTS

ANDERSON DAVIS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Chesapeake Shakespeare Company
Baltimore, Maryland

Opinion

We have audited the financial statements of Chesapeake Shakespeare Company (a not-for-profit corporation), which comprise the Statement of Financial Position as of August 31, 2022 and 2021, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chesapeake Shakespeare Company as of August 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chesapeake Shakespeare Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chesapeake Shakespeare Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Anderson, Davis & Associates, CPA

Glen Burnie, Maryland
March 8, 2023

CHESAPEAKE SHAKESPEARE COMPANY
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

ASSETS

	2022	2021
Current assets		
Cash and cash equivalents	$ 1,528,454	$ 1,574,025
Accounts receivable	40,598	11,990
Contributions receivable, net	188,716	54,237
Employee advances	2,650	2,300
Prepaid expenses	86,706	40,423
Total current assets	1,847,124	1,682,975
Property and equipment, net	4,463,428	4,619,406
Other assets		
Long-term contributions receivable, net	45,351	40,816
Investments	351,023	250,037
Liquor license, net	21,000	24,000
Cash - Board designated - Working capital reserve	20,000	20,000
Cash - Restricted in perpetuity - Working capital reserve	28,000	28,000
	465,374	362,853
Total assets	$ 6,775,926	$ 6,665,234

LIABILITIES AND NET ASSETS

	2022	2021
Current liabilities		
Accounts payable and accrued expenses	$ 68,214	$ 150,483
Deferred revenue	157,651	60,417
Line of credit	-	100,004
Paycheck protection program loan	-	161,334
Total current liabilities	225,865	472,238
Total liabilities	225,865	472,238
Net assets		
Without donor restrictions:		
Operating	1,454,267	1,149,686
Board designated	345,000	345,000
Net investment in property and equipment	4,463,428	4,519,402
Total without donor restrictions	6,262,695	6,014,088
With donor restrictions	287,366	178,908
Total net assets	6,550,061	6,192,996
Total liabilities and net assets	$ 6,775,926	$ 6,665,234

See independent auditor's report and notes to financial statements.

CHESAPEAKE SHAKESPEARE COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

	Without Donor Restrictions					
	Operating	Board Designated	Net Investment in Property and Equipment	Total Unrestricted	With Donor Restrictions	Total
Revenues, gains and other support:						
Contributions, grants and sponsorships	$ 1,292,645	$ -	$ -	$ 1,292,645	$ 204,953	$ 1,497,598
Gain on extinguishment of Paycheck Protection Program Loan	160,802	-	-	160,802	-	160,802
In-kind contributions	195,000	-	-	195,000	-	195,000
Educational programs	170,130	-	-	170,130	-	170,130
Ticket sales	380,545	-	-	380,545	-	380,545
Concession sales	19,109	-	-	19,109	-	19,109
Other revenue	7,985	-	-	7,985	-	7,985
Release from restriction	(27,615)	-	124,110	96,495	(96,495)	-
Total revenues, gains and support	2,198,601	-	124,110	2,322,711	108,458	2,431,169
Expenses:						
Program	1,439,949	-	162,076	1,602,025	-	1,602,025
Management and general	314,436	-	18,008	332,444	-	332,444
Fundraising	139,635	-	-	139,635	-	139,635
Total expenses	1,894,020	-	180,084	2,074,104	-	2,074,104
Change in net assets	304,581	-	(55,974)	248,607	108,458	357,065
Net assets, beginning of year	1,149,686	345,000	4,519,402	6,014,088	178,908	6,192,996
Net assets, end of year	$ 1,454,267	$ 345,000	$ 4,463,428	$ 6,262,695	$ 287,366	$ 6,550,061

See independent auditor's report and accompanying notes to the financial statements.

CHESAPEAKE SHAKESPEARE COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

	-----Without Donor Restrictions-----					
	Operating	Board Designated	Net Investment in Property and Equipment	Total Unrestricted	With Donor Restrictions	Total
Revenues, gains and other support:						
Contributions, grants and sponsorships	$ 2,208,654	$ -	$ -	$ 2,208,654	$ 96,927	$ 2,305,581
Gain on extinguishment of Paycheck Protection Program Loan	165,587	-	-	165,587	-	165,587
In-kind contributions	170,450	-	-	170,450	-	170,450
Educational programs	87,701	-	-	87,701	-	87,701
Ticket sales	116,333	-	-	116,333	-	116,333
Concession sales	5,236	-	-	5,236	-	5,236
Other revenue	2,643	-	-	2,643	-	2,643
Release from restriction	(372,931)	-	677,931	305,000	(305,000)	-
Total revenues, gains and support	2,383,673	-	677,931	3,061,604	(208,073)	2,853,531
Expenses:						
Program	713,157	-	146,215	859,372	-	859,372
Management and general	205,199	-	16,246	221,445	-	221,445
Fundraising	134,348	-	-	134,348	-	134,348
Total expenses	1,052,704	-	162,461	1,215,165	-	1,215,165
Change in net assets	1,330,969	-	515,470	1,846,439	(208,073)	1,638,366
Net assets, beginning of year	143,717	20,000	4,003,932	4,167,649	386,981	4,554,630
Transfer	(325,000)	325,000	-	-	-	-
Net assets, end of year	$ 1,149,686	$ 345,000	$ 4,519,402	$ 6,014,088	$ 178,908	$ 6,192,996

See independent auditor's report and accompanying notes to financial statements.

CHESAPEAKE SHAKESPEARE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022

	Program	Management and General	Fundraising	Total Expenses
Accounting	$ -	$ 10,527	$ -	$ 10,527
Amortization	3,000	-	-	3,000
Bank fees	-	822	3,357	4,179
Box office fees	51,264	-	-	51,264
Building maintenance	-	35,076	-	35,076
Concessions	23,225	-	-	23,225
Consultants	1,108	1,173	3,965	6,246
Depreciation	162,076	18,008	-	180,084
Dues and subscriptions	4,167	-	809	4,976
Education - staff	106,710	-	-	106,710
Education - technical	7,789	-	-	7,789
Education - supplies	496	-	-	496
Education - other	18,623	-	-	18,623
Institutional marketing	1,917	-	-	1,917
Insurance	19,903	2,211	-	22,114
Interest	-	545	-	545
Miscellaneous	423	5,846	1,637	7,906
Office	6,875	764	198	7,837
Payroll	484,841	191,584	88,284	764,709
Payroll taxes and employee benefits	93,054	36,770	16,944	146,768
Payroll service fees	-	1,987	-	1,987
Postage and shipping	-	41	12,363	12,404
Production - rehearsal and performance site	27,544	-	-	27,544
Production - staff	207,232	-	-	207,232
Production - technical	51,948	-	-	51,948
Program - marketing	84,640	-	-	84,640
Rent	189,840	11,640	11,640	213,120
Shop supplies	5,928	-	-	5,928
Staff and Board development	-	4,279	438	4,717
Travel	-	5,679	-	5,679
Utilities	49,422	5,492	-	54,914
Total expenses	$ 1,602,025	$ 332,444	$ 139,635	$ 2,074,104

See independent auditor's report and accompanying notes to the financial statements.

CHESAPEAKE SHAKESPEARE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

	Program	Management and General	Fundraising	Total Expenses
Accounting	$ -	$ 10,000	$ -	$ 10,000
Amortization	3,000	-	-	3,000
Bank fees	-	850	3,209	4,059
Box office fees	17,448	-	-	17,448
Building maintenance	-	13,043	-	13,043
Concessions	4,537	-	-	4,537
Consultants	-	1,320	225	1,545
Depreciation	146,215	16,246	-	162,461
Dues and subscriptions	2,990	-	883	3,873
Education - staff	30,913	-	-	30,913
Education - technical	2,505	-	-	2,505
Education - supplies	1,293	-	-	1,293
Education - other	1,431	-	-	1,431
Fundraising events	-	-	2,303	2,303
Institutional marketing	10,332	-	-	10,332
Insurance	17,804	1,978	-	19,782
Interest	-	10,523	-	10,523
Miscellaneous	-	4,808	1,003	5,811
Office	8,976	997	47	10,020
Payroll	251,101	116,072	88,602	455,775
Payroll taxes and employee benefits	51,697	23,637	18,218	93,552
Payroll service fees	-	1,665	-	1,665
Postage and shipping	-	356	6,799	7,155
Production - rehearsal and performance site	16,540	-	-	16,540
Production - staff	19,525	-	-	19,525
Production - technical	12,253	-	-	12,253
Program - marketing	26,679	-	-	26,679
Rent	195,591	12,598	12,598	220,787
Shop supplies	1,912	-	-	1,912
Staff and Board development	-	3,129	461	3,590
Travel	-	153	-	153
Utilities	36,630	4,070	-	40,700
	$ 859,372	$ 221,445	$ 134,348	$ 1,215,165

See independent auditor's report and accompanying notes to the financial statements.

CHESAPEAKE SHAKESPEARE COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 357,065	$ 1,638,366
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	180,084	162,461
Amortization expense	3,000	3,000
Gain on extinguishment of Paycheck Protection Program Loan	(160,802)	(165,587)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(28,608)	(10,959)
Contributions receivable, net	(139,014)	(11,567)
Employee advances	(350)	(2,300)
Prepaid expenses	(46,283)	(35,235)
Increase (decrease) in:		
Accounts payable and accrued expenses	23,914	26,164
Deferred revenue	97,234	(9,930)
Net cash provided by operating activities	286,240	1,594,413
Cash flows from investing activities:		
Purchases of property and equipment	(130,821)	(256,747)
Purchases of investments	(100,986)	(75,027)
Net cash used in investing activities	(231,807)	(331,774)
Cash flows from financing activities:		
Payments on line of credit	(100,004)	(315,000)
Proceeds from paycheck protection program loan	-	161,334
Net cash used in financing activities	(100,004)	(153,666)
Net (decrease) increase in cash	(45,571)	1,108,973
Cash, cash equivalents and restricted cash, beginning of year	1,622,025	513,052
Cash, cash equivalents and restricted cash, end of year	$ 1,576,454	$ 1,622,025
Supplemental cash flow information:		
Income taxes paid	$ -	$ -
Interest paid	$ 545	$ 10,523

See independent auditor's report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. **ORGANIZATION AND PURPOSE**

Chesapeake Shakespeare Company (the Company) was established in 2002 as a nonprofit group providing indoor and outdoor live theatre performances, as well as educational programs. According to the Company's mission: "Chesapeake Shakespeare Company brings great classic theatre to Baltimore City, Howard County, the state of Maryland, and beyond, with vigorous, innovative, comprehensible, pleasurable productions of Shakespeare and other plays of classic stature, productions that reach into the audience and involve and excite them. As a dynamic educational resource, we introduce Shakespeare to schoolchildren with lively, relevant programming. We aim to serve both committed theatre-goers and people who are attending theatre for the first time in settings that are informal and relaxed, with a quirky sensibility that reflects our city."

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting
The Company maintains its financial records and prepares its financial statements on the accrual basis of accounting. Therefore, revenues and related assets are recognized when earned, and expenses and related liabilities are recognized when the obligations are incurred.

Basis of Presentation
The Company follows the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 — Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Company. These net assets may be used at the discretion of the Company's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Company or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash, Cash Equivalents and Restricted Cash
The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company considers money market accounts used to fund operations to be cash equivalents but excludes money markets in the investment portfolio from cash equivalents. At August 31, 2022, the Company's cash exceeded the federally insured limit of $250,000 per financial institution by $1,319,899.

The following is a reconciliation to total cash, cash equivalents, and restricted cash reported within the Statements of Financial Position that sum to the total of the same such amounts shown on the Statements of Cash Flows at August 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	$ 1,528,454	$ 1,574,025
Cash – Board designated – Working capital reserve	20,000	20,000
Cash – Restricted in perpetuity – Working capital reserve	28,000	28,000
Total Cash, cash equivalents, and restricted cash shown in the Statements of Cash Flows	$ 1,576,454	$ 1,622,025

NOTES TO FINANCIAL STATEMENTS

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Market Value Risk

The Company invests funds in a professionally managed portfolio. Such investments are exposed to market and credit risks. The Company's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during the subsequent periods.

Income Taxes

The Company is a nonprofit entity and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, contributions to the Company are tax deductible under Section 170 of the Internal Revenue Code. The Company files an IRS Form 990-T, when required, to report all unrelated business income annually. The Company's unrelated business income arises from the sale of advertising in the performance programs. The Company is not classified as a private foundation by the Internal Revenue Service.

The Company adopted the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) for Accounting of Uncertainty in Income Taxes without any material effect to the financial statements. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at August 31, 2022 or 2021. The Company's returns remain open for three years for federal and state examinations.

Advertising Costs

The Company advertises its productions in print and other media. The costs for such advertisements are expensed when incurred. Total advertising expense for the years ended August 31, 2022 and 2021 was $44,941 and $9,339, respectively, and is included in Program – marketing and Institutional marketing on the Statements of Functional Expenses.

Revenue Recognition

The Company recognizes revenue from educational program, ticket and concession sales during the year in which the related services are provided to customers. The performance obligation of delivering these services is simultaneously received and consumed by the customers; therefore, the revenue is recognized in the applicable fiscal year. Revenue received which relates to subsequent years is recorded as deferred revenue in the Statement of Financial Position.

The Company recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give–that is, those with a measurable performance or other barrier and a right of return–are not recognized until the conditions on which they depend have been met.

Contributions, Grants, and Support

Contributions are considered to be without donor restrictions unless specifically restricted by the donor. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities. Revenue received with donor restrictions that are met in the same reporting period is reported as support without donor restrictions, and increases net assets without donor restrictions.

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributions receivable are reported in the Statement of Financial Position at the outstanding contribution balance adjusted for any write-offs and an allowance for potentially uncollectible contributions.

Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at an adjusted risk-free rate of return. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. The Company periodically reviews all contributions receivable and determines the allowance for potentially uncollectible contributions receivable based upon an analysis of the collectability of each account. An allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Contributions receivable due in greater than twelve months beyond the Statement of Financial Position date are discounted at 5% at August 31, 2022 and 2021 and through the expected term of the promises to give.

Contributions of cash restricted for the acquisition of long-lived assets are reported as restricted support that increases net assets with donor restrictions. The restrictions are released when the long-lived assets are acquired or placed in service by the Company. Contributions of property and equipment are recorded as revenue without donor restrictions unless donor stipulations specify how the assets are to be used.

<u>Accounts Receivable and Allowance for Potentially Uncollectible Accounts</u>
Accounts receivable are reported in the Statement of Financial Position at the outstanding billed balance adjusted for any write-offs and an allowance for potentially uncollectible accounts receivable. An allowance is determined for potentially uncollectible accounts receivable based on management's judgment, past collection experience and other relevant factors. Amounts deemed to be uncollectible are written off against the allowance when it is determined they are uncollectible. Receivables are considered past due based on contractual terms.

<u>Donated Services, Materials, and Facilities</u>
Donated services are recognized as contributions in accordance with the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification for Not-for-Profit Entities Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to Property and equipment.

Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as donor-restricted contributions.

<u>Subsequent Events</u>
The Company has evaluated events and transactions for potential recognition or disclosure through March 8, 2023, the date that these financial statements were available to be issued.

Note 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities and in detail in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Depreciation and amortization	Square footage
Insurance	Employee ratio
Office	Square footage
Payroll	Time and effort
Payroll taxes and benefits	Time and effort
Rent	Square footage
Utilities	Square footage

Fair Value of Financial Instruments

The *Fair Value Measurements and Disclosures* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

That framework establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. The framework requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Assets measured at fair value on a recurring basis at August 31, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 250,881	-	-	$ 250,881

Assets measured at fair value on a recurring basis at August 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 250,037	-	-	$ 250,037

Included in Investments on the Statement of Financial Position at August 31, 2022 are certificates of deposit with a value of $100,142. These are carried at cost so they are omitted from the above tables.

NOTES TO FINANCIAL STATEMENTS

Note 3. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Company's financial assets as of August 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include donor-restricted and Board designated funds. However, amounts already appropriated from donor-restricted for general expenditures within one year of the statement of financial position date have not been subtracted as unavailable.

Financial assets at year-end:	2022	2021
Cash and cash equivalents	$ 1,528,454	$ 1,574,025
Accounts receivable	40,598	11,990
Contributions receivable, net	234,067	95,053
Cash – Board designated	20,000	20,000
Cash – restricted in perpetuity	28,000	28,000
Total financial assets	1,851,119	1,729,068
Less amounts not available to be used for general expenditures within one year:		
Assets subject to contractual or donor restriction	287,366	178,908
Assets designated by Board of Trustees	345,000	345,000
Total financial assets not available to be used within one year	632,366	523,908
Financial assets available to meet general expenditures within one year	$ 1,218,753	$ 1,205,160

The Company has certain donor-restricted assets which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year. Additionally, the assets designated by the Board of Trustees of $345,000 could be drawn upon if the governing board approved that action.

Note 4. **CONTRIBUTIONS RECEIVABLE**

Management believes the full amount of contributions receivable to be collectible, thus no allowance for potentially uncollectible contributions receivable has been recorded. Management has elected to use 5% as the discount rate. The following schedule summarizes the Company's aging contributions receivable as of August 31, 2022 and 2021:

	2022	2021
Contributions receivable	$ 238,716	$ 99,237
Less: Unamortized discount	(4,649)	(4,184)
Net contributions receivable	$ 234,067	$ 95,053
Amounts due in:		
Less than one year	$ 188,716	$ 54,237
One to five years	50,000	45,000
	$ 238,716	$ 99,237

Note 5. **PROPERTY AND EQUIPMENT**

Purchased Property and equipment is recorded at cost. The Company capitalizes individual assets with a cost that is equal to $500 or greater. Depreciation on Property and equipment is provided on the straight-line method over the estimated useful life of the asset, which ranges from 3 to 39 years. Total depreciation expense for the years ended August 31, 2022 and 2021 was $180,084 and $162,461, respectively. Property and equipment consist of the following as of August 31, 2022 and 2021:

	Useful life	2022	2021
Equipment	5 – 7 years	$ 111,987	$ 100,737
Furniture	7 years	24,237	24,237
Leasehold improvements	3 – 39 years	5,535,502	5,524,133
		5,671,726	5,649,107
Less accumulated depreciation		(1,208,298)	(1,029,701)
		$ 4,463,428	$ 4,619,406

Note 6. **REVENUE FROM CONTRACTS WITH CUSTOMERS**

The following table provides information about significant changes in the contract liabilities for the years ended August 31, 2022 and 2021:

Deferred revenue at August 31, 2020	$ 70,347
Revenue recognized that was included in deferred revenue at the beginning of the year	(12,277)
Refunds of deposits received prior to August 31, 2020	(3,449)
Increase in deferred revenue due to cash received during the year	5,796
Deferred revenue at August 31, 2021	60,417
Revenue recognized that was included in deferred revenue at the beginning of the year	(1,159)
Refunds of deposits received prior to August 31, 2020	(3,515)
Increase in deferred revenue due to cash received during the year	101,908
Deferred revenue at August 31, 2022	$ 157,651

Note 7. **LINE OF CREDIT**

The Company had a line of credit with a bank which required monthly interest payments based on the daily LIBOR rate plus 1.65%. The original agreement allowed the Company to borrow up to $3,500,000. During the year ended August 31, 2021, the agreement was amended to extend the maturity date to January 4, 2022 when all borrowed amounts plus accrued interest were required be repaid. The amended agreement also reduced the available amount on the line of credit to $1,500,000. The interest rate at August 31, 2021 was 1.83%. The line was repaid in full, including all accrued interest, during the year ended August 31, 2022. At August 31, 2022 and 2021, the balance was $0 and $100,004, respectively. Interest expense for the years ended August 31, 2022 and 2021 was $545 and $10,523, respectively. This line had been personally guaranteed by two members of the Company's Board of Trustees. The lender required the Company to meet certain loan covenants related to the line of credit.

Note 8. **PAYCHECK PROTECTION PROGRAM LOAN**

During the year ended August 31, 2020, the Company received a Paycheck Protection Program loan of $165,587 due to uncertain economic conditions as a result of COVID-19. The loan is guaranteed by the U.S. Small Business Administration (SBA) pursuant to the terms of the Coronavirus, Aid, Relief and Economic Security Act (the CARES Act). In November, 2020 the loan was forgiven by the Small Business Administration and the loan was converted to a grant, recognized as Gain on extinguishment of Paycheck Protection Program Loan in the Revenue, gains, and other support section of the Statement of Activities for the year ended August 31, 2021.

NOTES TO FINANCIAL STATEMENTS

Note 8. **PAYCHECK PROTECTION PROGRAM LOAN (continued)**

During the year ended August 31, 2021, the Company received an additional Paycheck Protection Program loan of $161,334 due to uncertain economic conditions as a result of COVID-19. The loan is guaranteed by the U.S. Small Business Administration (SBA) pursuant to the terms of the Coronavirus, Aid, Relief and Economic Security Act (the CARES Act). The loan was forgiven in full, including all accrued interest, during the year ended August 31, 2022. The gain on forgiveness of debt is recorded on the Statement of Activities for the year ended August, 31 2022.

Note 9. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were as follows as of August 31, 2022 and 2021:

	2022	2021
Subject to passage of time	$ 214,805	$ 135,053
Contributions received – subject to purpose restriction:		
Complete Works	-	15,000
Education	39,561	-
Gala	5,000	-
Providence scholarship fund	-	855
Total donor restrictions – subject to purpose restriction	44,561	15,855
Restricted in perpetuity - Working capital reserve	28,000	28,000
	$ 287,366	$ 178,908

Note 10. **RELEASE FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the year ended August 31, 2022 and 2021:

	2022	2021
Bloomberg capacity	$ -	$ 185,000
Capital improvements	-	50,000
Education	1,980	-
FSFK	-	5,000
Providence scholarship fund	855	-
Time restriction	93,660	55,000
Training	-	10,000
	$ 96,495	$ 305,000

Note 11. **BOARD DESIGNATED NET ASSETS**

The Company's Board designated net assets were as follows as of August 31, 2022 and 2021:

	2022	2021
Endowment	$ 325,000	$ 325,000
Working Capital Reserve	20,000	20,000
	$ 345,000	$ 345,000

Note 12. **ENDOWMENT**

The Company's Board of Trustees implemented a Board designated endowment during the year ended August 31, 2021.

Interpretation of Relevant Law – The Board of Trustees of the Company has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value endowment assets. This endowment is a result of an internal designation and not restrictions placed by donors. Accordingly, income earned on investments related to the designated endowment is not restricted and is included as income without donor restrictions.

In accordance with UPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate endowment funds:

a. The duration and preservation of the fund
b. The purposes of the organization
c. General economic conditions
d. The possible effects of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the organization
g. The investment policies of the organization

Return Objective and Risk Parameters – The Company's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support its operations. The Company recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility.

In pursuing its investment objectives, the Company assumes moderate levels of investment risk appropriate for a fund which is modest in size relative to the operating budget of the Company it supports. The Board also recognizes that some fluctuations in market values and rates of return are to be expected to achieve the long-term investment objectives.

The principal goal for the fund is to preserve and enhance the real inflation adjusted purchasing power of invested assets to support the long-term growth objectives of the Company.

The fund shall be managed with a view to ensure that it maintain sufficient liquidity should a contribution to the cash flow requirements of the Company be required.

Spending Policy – The Company will appropriate for funds for expenditure on an as-needed basis.

Changes and ending balance in endowment net assets for the years ended August 31, 2022 and 2021 are as follows:

	Without donor restrictions
Endowment net assets, August 31, 2020	$ -
Designated net assets	325,000
Endowment net assets, August 31, 2021	325,000
Designated net assets	-
Endowment net assets, August 31, 2022	$ 325,000

Note 13. **CONCENTRATION OF REVENUES**

For the years ended August 31, 2022 and 2021, contribution revenue includes $250,000 and $250,000, respectively, of combined contributions from a private foundation of which two members of the Company's Board of Trustees are the President and Vice President of the private foundation and from the members personally. This represents approximately 11% and 9% of total revenue, gains and other support, excluding in-kind contribution revenue for the years ended August 31, 2022 and 2021, respectively.

Note 14. **OPERATING LEASE COMMITMENTS**

In 2013, the Company entered into an agreement to lease a building that was renovated so that it can be used for performances and office space. The renovation was completed in September 2014. The building is owned by an entity controlled by two members of the Company's Board of Trustees and the annual rent is $120. The lease expires in 2034. Management has estimated the value of the donated space to be approximately $120,000 per year. The value of the donated space received in each of the years ended August 31, 2022 and 2021 was $120,000 and is included as Rent on the Statements of Functional Expenses (see Note 15).

During the year ended August 31, 2016, the Company entered into an agreement to lease two floors of a building adjacent to its current location for education, rehearsal, and office space. The lease expired December 31, 2021. During the year ended August 31, 2022, the Company extended the agreement through December 31, 2026. The building is owned by an entity controlled by two members of the Company's Board of Trustees. Lease expense was $93,120 and $100,787 for the years ended August 31, 2022 and 2021, respectively and is included in Rent on the Statements of Functional Expenses. Future minimum office lease payment are as follows for years ending August 31,

2023	$	89,833
2024	$	93,333
2025	$	96,833
2026	$	100,333
2027	$	33,833

In February 2022, the Company leases office equipment under an operating lease with a monthly payment of $296 which ends in 2027. Lease expense for the years ended August 31, 2022 and 2021 was $4,745 and $4,431, respectively and is included in Office in the Statements of Functional Expenses. Future minimum lease payments required under this operating lease are as follows for the years ending August 31,

2023	$	3,552
2024	$	3,552
2025	$	3,552
2026	$	3,552
2027	$	2,664

Note 15. **IN-KIND CONTRIBUTIONS**

The company received donated goods and services which were recorded as in-kind contributions revenue, as well as the following expenses for the years ended August 31, 2022 and 2021:

	2022	2021
Marketing	$ -	$ 450
Payroll	75,000	50,000
Donated space	120,000	120,000
	$ 195,000	$ 175,450