CHESAPEAKE SHAKESPEARE COMPANY

FINANCIAL REPORT

AUGUST 31, 2023

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 Statements of Financial Position as of August 31, 2023 and 2022, 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, 2023 and 2022, 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.

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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
January 30, 2024

CHESAPEAKE SHAKESPEARE COMPANY
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents	$ 1,565,519	$ 1,528,454
Accounts receivable	11,330	40,598
Contributions receivable, net	61,013	188,716
Employee advances	955	2,650
Prepaid expenses	55,567	86,706
Total current assets	1,694,384	1,847,124
Property and equipment, net	4,520,755	4,463,428
Other assets		
Long-term contributions receivable, net	-	45,351
Investments	361,427	351,023
Liquor license, net	18,000	21,000
Cash - Board designated - Working capital reserve	20,000	20,000
Cash - Restricted in perpetuity - Working capital reserve	28,000	28,000
Operating right-of-use assets, net of accumulated amortization	371,329	-
	798,756	465,374
Total assets	$ 7,013,895	$ 6,775,926

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities		
Accounts payable and accrued expenses	$ 94,321	$ 68,214
Deferred revenue	151,770	157,651
Current portion of operating lease liabilities	121,917	-
Total current liabilities	368,008	225,865
Non-current liabilities		
Operating lease liabilities, net of current portion	255,335	-
Total liabilities	623,343	225,865
Net assets		
Without donor restrictions:		
Operating	1,282,487	1,454,267
Board designated	345,000	345,000
Net investment in property and equipment	4,520,755	4,463,428
Total without donor restrictions	6,148,242	6,262,695
With donor restrictions	242,310	287,366
Total net assets	6,390,552	6,550,061
Total liabilities and net assets	$ 7,013,895	$ 6,775,926

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

CHESAPEAKE SHAKESPEARE COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

	Without donor restrictions					
	Operating	Board designated	Net investment in property and equipment	Total without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:						
Contributions, grants and sponsorships	$ 1,474,100	$ -	$ -	$ 1,474,100	$ 113,578	$ 1,587,678
In-kind contributions	195,000	-	-	195,000	-	195,000
Educational programs	241,404	-	-	241,404	-	241,404
Ticket sales	601,978	-	-	601,978	-	601,978
Concession sales	62,143	-	-	62,143	-	62,143
Other revenue	23,331	-	-	23,331	-	23,331
Release from restriction	(82,079)	-	240,713	158,634	(158,634)	-
Total revenues, gains and support	2,515,877	-	240,713	2,756,590	(45,056)	2,711,534
Expenses:						
Program	2,082,657	-	165,047	2,247,704	-	2,247,704
Management and general	347,058	-	18,339	365,397	-	365,397
Fundraising	257,942	-	-	257,942	-	257,942
Total expenses	2,687,657	-	183,386	2,871,043	-	2,871,043
Change in net assets	(171,780)	-	57,327	(114,453)	(45,056)	(159,509)
Net assets, beginning of year	1,454,267	345,000	4,463,428	6,262,695	287,366	6,550,061
Net assets, end of year	$ 1,282,487	$ 345,000	$ 4,520,755	$ 6,148,242	$ 242,310	$ 6,390,552

See independent auditor's report and accompanying notes to the 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 without donor restrictions	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

CHESAPEAKE SHAKESPEARE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023

	Program	Management and general	Fundraising	Total expenses
Accounting	$ -	$ 11,699	$ -	$ 11,699
Amortization	3,000	-	-	3,000
Bank fees	-	564	4,793	5,357
Box office fees	68,336	-	-	68,336
Building maintenance	-	66,755	-	66,755
Concessions	33,354	-	-	33,354
Consultants	-	3,433	21,000	24,433
Depreciation	165,047	18,339	-	183,386
Dues and subscriptions	4,940	-	1,874	6,814
Education - staff	189,452	-	-	189,452
Education - technical	7,011	-	-	7,011
Education - supplies	1,134	-	-	1,134
Education - other	57,824	-	-	57,824
Fundraising events	-	-	1,800	1,800
Institutional marketing	4,436	-	-	4,436
Insurance	23,589	2,621	-	26,210
Interest	-	22	-	22
Legal	-	4,361	-	4,361
Miscellaneous	336	14,235	28,810	43,381
Office	7,239	804	398	8,441
Payroll	670,444	165,177	143,780	979,401
Payroll taxes and employee benefits	132,973	32,761	28,517	194,251
Payroll service fees	-	2,213	-	2,213
Postage and shipping	-	400	13,352	13,752
Production - rehearsal and performance site	27,089	-	-	27,089
Production - staff	306,929	-	-	306,929
Production - technical	67,189	-	-	67,189
Program - marketing	108,114	-	-	108,114
Rent	201,174	13,529	13,529	228,232
Shakespeare Beyond - production	45,377	-	-	45,377
Shakespeare Beyond - staff	58,253	-	-	58,253
Shop supplies	4,102	-	-	4,102
Staff and Board development	-	8,770	89	8,859
Travel	-	13,007	-	13,007
Utilities	60,362	6,707	-	67,069
Total expenses	$ 2,247,704	$ 365,397	$ 257,942	$ 2,871,043

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, 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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (159,509)	$ 357,065
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	183,386	180,084
Amortization expense	3,000	3,000
Gain on extinguishment of Paycheck Protection Program Loan	-	(160,802)
Amortization of operating right-of-use assets	97,961	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	29,268	(28,608)
Contributions receivable, net	173,054	(139,014)
Employee advances	1,695	(350)
Prepaid expenses	31,139	(46,283)
Increase (decrease) in:		
Accounts payable and accrued expenses	26,107	23,914
Deferred revenue	(5,881)	97,234
Operating lease liability	(92,037)	-
Net cash provided by operating activities	288,183	286,240
Cash flows from investing activities:		
Purchases of property and equipment	(240,714)	(130,821)
Purchases of investments	(10,404)	(100,986)
Net cash used in investing activities	(251,118)	(231,807)
Cash flows from financing activities:		
Payments on line of credit	-	(100,004)
Net cash used in financing activities	-	(100,004)
Net increase (decrease) in cash	37,065	(45,571)
Cash, cash equivalents and restricted cash, beginning of year	1,576,454	1,622,025
Cash, cash equivalents and restricted cash, end of year	$ 1,613,519	$ 1,576,454
Supplemental cash flow information:		
Income taxes paid	$ -	$ -
Interest paid	$ 22	$ 545
Noncash activities:		
Implementation of right-of-use asset and liability for operating leases	$ 469,290	$ -

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 creates community through energetic, joyful, and accessible classic theatre. We bring our art to Baltimore, the State of Maryland, and beyond, striving to engage new and non-traditional audiences and break down barriers to access. As a dynamic educational resource, we introduce Shakespeare to schoolchildren with vigorous, relevant programming. Through inclusive programming that resonates with contemporary audiences, our goal is to build cross-community engagement, highlighting our shared humanity through art and working to ensure that classic theatre is accessible and enjoyable for all."

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 in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. 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 recommendations of the FASB in its ASC. Under these recommendations, the Company is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and 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.

Recently Adopted Accounting Pronouncements

The Company adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, which requires the recognition of a right-to-use ("ROU") asset and a lease liability based on the present value of the remaining lease payments. The Company adopted the standard by applying the new transition alternative (ASU 2018-11) where an entity initially applies the new standard to all existing leases at the adoption date without restatement to prior periods. The Company elected the package of practical expedients which permits a lessee to not reassess under the new standard its prior conclusions regarding lease identification, lease classification and initial direct costs. The Company elected to apply the risk-free rate, for all asset classes, to discount lease payments as permitted under ASU 2021-09. As permitted by the standard, the Company elected, for all asset classes, the short-term lease exemption in which leases with a term of 12 months or less are not recognized on the Statement of Financial Position.

The Company adopted FASB ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. The Company has updated disclosures as necessary.

NOTES TO FINANCIAL STATEMENTS

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

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, 2023, the Company's cash exceeded the federally insured limit of $250,000 per financial institution by $1,061,736.

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, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 1,565,519	$ 1,528,454
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	$ 1,613,519	$ 1,576,454

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 follows the recommendations of the FASB in its ASC for *Accounting of Uncertainty in Income Taxes*. 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, 2023 or 2022. 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, 2023 and 2022 was $48,802 and $44,941, respectively, and is included in Program – marketing and Institutional marketing on the Statements of Functional Expenses.

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

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 revenue is earned at a point in time when the performance occurs. 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.

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, 2023 and 2022 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.

Accounts Receivable and Allowance for Potentially Uncollectible Accounts

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.

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

Donated Services, Materials, and Facilities

Donated services are recognized as contributions in accordance with the recommendations of the FASB in its ASC 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. Donations of services and use of the Company's building are utilized in the Company's operations.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through January 30, 2024, the date that these financial statements were available to be issued.

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 FASB's 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.

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

Fair Value of Financial Instruments (continued)

Assets measured at fair value on a recurring basis at August 31, 2023 are as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 261,033	-	-	$ 261,033

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

Included in Investments on the Statement of Financial Position at August 31, 2023 is a cash account with a value of $100,394. 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.

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

The following reflects the Company's financial assets as of August 31, 2023 and 2022, 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:	2023	2022
Cash and cash equivalents	$ 1,565,519	$ 1,528,454
Accounts receivable	11,330	40,598
Contributions receivable, net	61,013	234,067
Cash – Board designated	20,000	20,000
Cash – restricted in perpetuity	28,000	28,000
Total financial assets	1,685,862	1,851,119
Less amounts not available to be used for general expenditures within one year:		
Assets subject to contractual or donor restriction	242,310	287,366
Assets designated by Board of Trustees	345,000	345,000
Total financial assets not available to be used within one year	587,310	632,366
Financial assets available to meet general expenditures within one year	$ 1,098,552	$ 1,218,753

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.

NOTES TO FINANCIAL STATEMENTS

Note 4. **CONTRIBUTIONS RECEIVABLE, NET**

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, 2023 and 2022:

	2023	2022
Contributions receivable	$ 61,013	$ 238,716
Less: Unamortized discount	-	(4,649)
Net contributions receivable	$ 61,013	$ 234,067
Amounts due in:		
Less than one year	$ 61,013	$ 188,716
One to five years	-	50,000
	$ 61,013	$ 238,716

Note 5. **PROPERTY AND EQUIPMENT, NET**

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, 2023 and 2022 was $183,386 and $180,084, respectively. Property and equipment consist of the following as of August 31, 2023 and 2022:

	Useful life	2023	2022
Equipment	5 – 7 years	$ 314,327	$ 111,987
Furniture	7 years	24,237	24,237
Leasehold improvements	3 – 39 years	5,573,875	5,535,502
		5,912,439	5,671,726
Less accumulated depreciation		(1,391,684)	(1,208,298)
		$ 4,520,755	$ 4,463,428

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

The Company recognized $601,978 and $380,545 of revenue from contracts with customers during the years ended August 31, 2023 and 2022. Economic factors can impact the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Accounts receivable and deferred revenue from contracts with customers were as follows for the years ended August 31, 2023 and 2022:

	Accounts receivable	Deferred revenue
September 1, 2021	$ 11,990	$ 60,417
August 31, 2022	$ 40,598	$ 157,651
August 31, 2023	$ 11,330	$ 151,770

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, 2022 was 1.83%. The line was repaid in full, including all accrued interest, during the year ended August 31, 2022. Interest expense for the year ended August 31, 2022 was $545. 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, 2021, the Company received an additional Paycheck Protection Program loan of $160,802 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, 2023 and 2022:

	2023	2022
Subject to passage of time	$ 209,165	$ 214,805
Contributions received – subject to purpose restriction:		
Capital improvements	3,337	-
Education	1,808	39,561
Gala	-	5,000
Total donor restrictions – subject to purpose restriction	5,145	44,561
Restricted in perpetuity - working capital reserve	28,000	28,000
	$ 242,310	$ 287,366

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 years ended August 31, 2023 and 2022:

	2023	2022
Education	$ 39,561	$ 1,980
Providence scholarship fund	-	855
Time restriction	114,073	93,660
Gala	5,000	-
	$ 158,634	$ 96,495

Note 11. **BOARD DESIGNATED NET ASSETS**

The Company's Board designated net assets were as follows as of August 31, 2023 and 2022:

	2023	2022
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.

The Company's endowment is without donor restrictions and had a balance of $325,000 as of August 31, 2021, 2022 and 2023.

Note 13. **CONCENTRATION OF REVENUES**

For the years ended August 31, 2023 and 2022, contribution revenue includes $285,000 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 11% of total revenue, gains and other support, excluding in-kind contribution revenue for the years ended August 31, 2023 and 2022, respectively.

Note 14. **OPERATING LEASES**

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, 2023 and 2022 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 $95,577 and $93,120 for the years ended August 31, 2023 and 2022, respectively and is included in Rent on the Statements of Functional Expenses.

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, 2023 and 2022 was $3,552 and $3,552, respectively and is included in Office in the Statements of Functional Expenses.

During the year ended August 31, 2023, the Company entered into an agreement to lease additional workshop and storage space expiring in April 2025. The lease agreement calls for monthly payments of $3,000 for the first twelve months. The monthly payment will increase to $3,090 for the second twelve months. Lease expense was $12,180 for the year ended August 31, 2023 and is included in Rent on the Statement of Functional Expenses.

Below are the Company's costs recognized in the Statement of Activities for the year ended August 31, 2023, as well as additional quantitative information relating to its leases.

Operating lease cost	$	111,429
Operating cash flows from operating leases	$	105,505
Right-to-use assets obtained in exchange for new operating lease liabilities	$	469,290
Weighted-average remaining lease term (years) – operating leases		3.1
Weighted-average discount rate – operating leases		3.57%

Note 14. **OPERATING LEASES (CONTINUED)**

The future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

Years ending August 31,		
2024	$	133,365
2025		125,225
2026		104,005
2027		36,321
2028		8,578
Thereafter		700
		408,194
Less amounts representing imputed interest		(30,942)
	$	377,252
Operating lease liability, current	$	121,917
Operating lease liability, noncurrent		255,335
	$	377,252

Note 15. **IN-KIND CONTRIBUTIONS**

The Company receives contributions of services and use of a building. The Company utilizes these donations. The Company received donated services and space which were recorded as in-kind contributions revenue, as well as the following expenses for the years ended August 31, 2023 and 2022:

	2023	2022
Payroll	$ 75,000	$ 75,000
Donated space	120,000	120,000
	$ 195,000	$ 195,000