

SERENDIPITY THEATRE COMPANY, DBA 2nd STORY

**Financial Statements and
Independent Auditors' Report**

For the Year Ended July 31, 2022

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Serendipity Theatre Company, dba 2nd Story

Opinion

We have audited the accompanying financial statements of **Serendipity Theatre Company, dba 2nd Story** ("2nd Story"), a nonprofit organization, which comprise the statement of financial position as of July 31, 2022, and the related statements of activities, functional expenses and cash flows for the year 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 2nd Story as of July 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 2nd Story and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 2nd Story's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

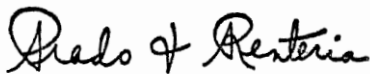
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 2nd Story'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 2nd Story'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.

A handwritten signature in black ink that reads "Paulo J. Renteria". The signature is written in a cursive style with a large initial 'P'.

Chicago, Illinois
March 24, 2023

Serendipity Theatre Company, dba 2nd Story
Statement of Financial Position
As of July 31, 2022

Assets

Current Assets

Cash and Cash Equivalents	\$ 256,102
Grants and Contributions Receivable	51,050
Prepaid Expenses	3,270
Total Current Assets	<u>310,422</u>

Other Assets	<u>1,605</u>
--------------	--------------

Total Assets	<u><u>\$ 312,027</u></u>
--------------	--------------------------

Liabilities and Net Assets

Liabilities

Accounts Payable	\$ 337
Accrued Expense	8,800
Total Liabilities	<u>9,137</u>

Net Assets

Net Assets Without Donor Restrictions	242,390
Net Assets With Donor Restrictions	60,500
Total Net Assets	<u>302,890</u>

Total Liabilities and Net Assets	<u><u>\$ 312,027</u></u>
---	--------------------------

The accompany notes are an integral part of these financial statements

Serendipity Theatre Company, dba 2nd Story
Statement of Activities
For the Year Ended July 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public Support			
Individual Giving	\$ 99,614	\$ -	\$ 99,614
Foundation Grants	38,000	38,000	76,000
Corporate Contributions	9,146	-	9,146
Government Grants	52,272	4,000	56,272
Special Events	64,066	-	64,066
Release From Restriction	43,500	(43,500)	-
Total Public Support	306,598	(1,500)	305,098
Revenue			
Performance Programming	10,969	-	10,969
CultureBuilds	106,325	-	106,325
Education For Hire Revenue	35,650	-	35,650
Classes & Workshop	4,365	-	4,365
Miscellaneous Income	100	-	100
Total Revenue	157,409		157,409
Total Public Support and Revenue	464,007	(1,500)	462,507
Expenses			
Program Services	271,094	-	271,094
Management & General	62,953	-	62,953
Fundraising	80,479	-	80,479
Total Expenses	414,526	-	414,526
Change in Net Assets	49,481	(1,500)	47,981
Net Assets Beginning of the Year	192,909	62,000	254,909
Net Assets at the End of the Year	\$ 242,390	\$ 60,500	\$ 302,890

The accompany notes are an integral part of these financial statements

Serendipity Theatre Company DBA, 2nd Story
Statement of Functional Expenses
For the Year Ended July 31, 2022

	Total Program Services	Management & General	Fundraising	TOTAL
Salaries & Benefits	\$ 182,546	\$ 35,099	\$ 54,875	\$ 272,520
Advertising & Marketing	4,819	-	-	4,819
Artists & Facilitators	48,569	-	-	48,569
Special Events	-	-	11,419	11,419
Fees	2,570	431	-	3,001
Insurance	1,298	1,298	1,298	3,894
Occupancy	7,337	6,737	6,737	20,811
People & Culture	995	2,149	4,032	7,176
Postage	-	1,109	531	1,640
Photography	1,275	-	-	1,275
Production Expense	1,972	-	-	1,972
Printing & Copying	1,133	-	292	1,425
Professional & Accounting Fees	3,974	14,530	1,195	19,699
Consultants	5,574	120	-	5,694
Research & Development	1,500	583	-	2,083
Supplies	990	302	100	1,392
Technology	6,635	407	-	7,042
Travel	(93)	188	-	95
Total Expenditures	<u>\$ 271,094</u>	<u>\$ 62,953</u>	<u>\$ 80,479</u>	<u>\$ 414,526</u>

The accompany notes are an integral part of these financial statements

Serendipity Theatre Company, dba 2nd Story
Statement of Cash Flow
For the Year Ended July 31, 2022

Cash Flow from Operating Activities	
Changes in Net Assets	\$ 47,981
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used) In Operating Activities:	
Forgiveness of PPP Loan	(29,772)
(Increase) Decrease in Assets:	
Grants and Contributions Receivable	19,400
Prepaid Expenses	(1,482)
Increase (decrease) in Liabilities:	
Accounts Payable	(1,675)
Accrued Expenses	8,800
Net Cash Provided by Operating Activities	<u>43,252</u>
Net Increase in Cash and Cash Equivalents	<u>43,252</u>
Cash and Cash Equivalents, Beginning of Year	<u>212,850</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 256,102</u></u>

The accompany notes are an integral part of these financial statements

SERENDIPITY THEATRE COMPANY, dba 2nd STORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022

NOTE 1 – NATURE OF ACTIVITIES

Serendipity Theatre Company, dba 2nd Story (“2nd Story”), an Illinois not-for-profit organization, is one of Chicago’s oldest storytelling organizations. 2nd Story creates experiences rooted in the belief that sharing and listening to well-crafted, well-told stories fosters liberation and social change for audiences and artists alike.

Founded in 1999 with the goal of “fostering social dialogue,” 2nd Story is real stories by real people for real change. The deeply held belief that personal stories can build a bolder and kinder world is seen in every show 2nd Story produces, every class 2nd Story teaches, and every workshop 2nd Story facilitates. Their work is activated by the Core Values of Craft, Courage, and Inclusion.

2nd Story's programs include a full season of performances, classes and workshops for learners of all ages, and CultureBuilds, which provides our story-based professional development training to a wide range of businesses and organizations.

A typical 2nd Story season consists of 10 performances, 2-3 special events/fundraisers, and 6-8 classes and workshops. 2nd story has a podcast that has approximately 25 thousand listens each season.

Through its CultureBuilds program, 2nd Story partners with 20-25 corporations, foundations and nonprofits, and schools and universities annually. This programming stream, which is an extension of 2nd Story’s mission, vision, and values, delivers story-based training workshops to clients of all types and sizes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SERENDIPITY THEATRE COMPANY, dba 2nd STORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

Serendipity Theatre Company is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Serendipity Theatre Company has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income nor unrecognized tax benefits for the years ended July 31, 2022. Each of the Organization's prior three years remain subject to examination by the Internal Revenue Service.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of less than three months. Cash in banks is insured through federal deposit insurance up to \$250,000, all excess deposits are uninsured and uncollateralized. Cash is held in two banks. Neither of the accounts was in excess of \$250,000.

Contributions

Contributions are classified as without restrictions or with restrictions based on the donor's intent. When a donor restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is met), 2nd Story reclassifies the net assets with restrictions to net assets without restrictions and reports these assets as released from restriction. If a restriction is fulfilled in the same fiscal year in which the contribution is received, 2nd Story classifies the support as unrestricted.

Contributions of nonfinancial assets are reflected at their fair value at date of donation and are reported as without donor restrictions unless explicit donor stipulations specify how donated asset must be used.

Revenue Recognition

Serendipity Theatre Company has adopted Accounting Standard Update (ASU) No. 2014-09- Revenue from Contracts with Customers (Topic 606), as amended. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Serendipity Theatre Company and are recognized either over time or at a point in time. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred through a point in time in relation to total actual charges incurred. Serendipity Theatre Company believes that this method provides a useful depiction of the provision of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time are recognized when goods or services are provided to customers, and the Organization is not required

SERENDIPITY THEATRE COMPANY, dba 2nd STORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition – continued

to provide additional goods or services. Performance Programming revenue is ticket sales for storytelling events and is recognized at the time of performance. CultureBuilds Revenue is for programs contracted with corporations. Revenue is recognized when the contracted services have been provided. Education for Hire revenue consists of agreements with educational institutions to provide school-based arts education programming during the school year as an exchange transaction. These revenues are recognized over time in the period to which they relate, when obligations under the terms of the agreement are satisfied.

Functional Allocation of Expenses

The Statements of Activities reports expenses by both natural and functional classification. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. General operating costs across nearly all natural categories are allocated on the basis of estimates of time and effort.

People and Culture Expense - 2nd Story uses the account People and Culture to record expenses incurred for taking care of our people and fostering a positive culture. Our people include program participants, staff, contracted artists, the Board, and all other people affiliated with 2nd Story. The expenses include professional development for staff, hospitality for all of our constituents, and providing resources to support the 2nd Story community.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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 2nd Story.

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 2nd Story or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

SERENDIPITY THEATRE COMPANY, dba 2nd STORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Pronouncement

The FASB issued ASU 2020-07 *Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets (Gifts-In Kind)* to increase the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to the presentation and disclosure process. ASU 2020-07 is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. 2nd Story implemented ASU 2020-07 in fiscal year 2022.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. The standard will be effective for 2nd Story in fiscal year 2023. 2nd Story has not determined the effect of adopting the new standard.

NOTE 3 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Contributions receivable, as stated in the financial statements, are deemed by Serendipity Theatre Company management to be fully collectible. Accordingly, no allowance for doubtful accounts has been established at July 31, 2022. Contributions Receivable for the year ended July 31, 2022 were \$51,050.

NOTE 4 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, include the following:

Cash and cash equivalents	\$256,102
Grants and Contributions receivable	51,050
Total financial assets	\$307,152
Financial assets available to meet cash needs for general expenditures within one year	\$307,152

SERENDIPITY THEATRE COMPANY, dba 2nd STORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

For the year ended July 31, 2022 net assets with donor restrictions consist of the following:

Time Restricted	
Performance	\$35,000
General Support	25,500
Total Net Assets with Donor Restrictions	<u>\$60,500</u>

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Restricted contributions whose restrictions are met in the same accounting period as that in which they are received are reported as unrestricted support. Net assets released for the year ended July 31, 2022 were \$43,500.

NOTE 7 – RELATED PARTIES

The volunteer board members of Serendipity Theatre Company are active in oversight of fundraising events, activities, and in making private contributions. Contributions received from the Board or from companies with which the Board is affiliated were approximately \$47,765 for the year ended July 31, 2022.

NOTE 8 – LEASE COMMITMENT

On June 3, 2021 Serendipity Theatre Company entered into a five-year lease agreement for office space services which is due to expire October 31, 2026. After the initial term, the lessee and lessor may agree to extend or renew the lease. The monthly rent is \$1,450. Rent expense pursuant to the lease for the year ended July 31, 2022 was \$17,439.

Future minimum lease payments under the agreement are as follows:

Year ended July 31,	
2023	\$17,850
2024	18,450
2025	19,050
2026	19,650
	<u>\$75,000</u>

SERENDIPITY THEATRE COMPANY, dba 2nd STORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 2022

NOTE 9 – SUBSEQUENT EVENTS

Management of the Organization has reviewed and evaluated subsequent events from July 31, 2022, the financial statement date, through March 24, 2023, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.