

**SERENDIPITY THEATRE COMPANY
DBA 2nd STORY**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JULY 31, 2024 AND 2023

SERENDIPITY THEATRE COMPANY, DBA 2ND STORY
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WSDD

WSDD CPAs, Ltd. Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Serendipity Theatre Company, dba 2nd Story ("2nd Story"), a nonprofit organization, which comprise the statements of financial position as of July 31, 2024 and 2023, 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 2nd Story as of July 31, 2024 and 2023, 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. 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 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 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.

WSDD CPAs, Ltd.

WSDD CPAs, Ltd.

Chicago, Illinois
November 21, 2024

SERENDIPITY THEATRE COMPANY, DBA 2ND STORY
Statements of Financial Position
July 31, 2024 and 2023

ASSETS		
	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 213,951	\$ 317,704
Grants and contributions receivable	100,679	92,950
Prepaid expenses	6,416	2,596
Operating lease right of use asset	41,451	59,637
Other assets	<u>1,300</u>	<u>1,605</u>
TOTAL ASSETS	<u>\$ 363,797</u>	<u>\$ 474,492</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 12,482	\$ 9,851
Operating lease liability	43,251	61,287
Other liabilities	<u>1,500</u>	<u>1,500</u>
Total Liabilities	<u>55,733</u>	<u>72,638</u>
 NET ASSETS		
Without donor restrictions	208,064	256,254
With donor restrictions	<u>100,000</u>	<u>145,600</u>
Total Net Assets	<u>308,064</u>	<u>401,854</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 363,797</u>	<u>\$ 474,492</u>

SERENDIPITY THEATRE COMPANY, DBA 2ND STORY
Statements of Activities
For the Years Ended July 31, 2024 and 2023

	2024			2023		
	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
PUBLIC SUPPORT AND REVENUE						
Public Support						
Contributions	\$ 110,216	\$	\$ 110,216	\$ 110,807	\$	\$ 110,807
Foundation grants	64,900	100,000	164,900	98,600	116,500	215,100
Corporate grants	5,444		5,444	6,446		6,446
Government grants	12,500		12,500	7,100	29,100	36,200
Special events	51,597		51,597	56,178		56,178
Net assets released from restriction	145,600	(145,600)		60,500	(60,500)	
Total Public Support	390,257	(45,600)	344,657	339,631	85,100	424,731
Revenue						
Performance programming	13,471		13,471	5,524		5,524
CultureBuilds	101,595		101,595	115,000		115,000
Education for hire	40,749		40,749	37,179		37,179
Classes and workshops	7,500		7,500	810		810
Interest income	384		384	248		248
Total Revenue	163,699		163,699	158,761		158,761
Total Public Support and Revenue	553,956	(45,600)	508,356	498,392	85,100	583,492
EXPENSES						
Program services	400,524		400,524	310,224		310,224
Management and general	93,988		93,988	84,583		84,583
Fundraising	107,634		107,634	89,721		89,721
Total Expenses	602,146		602,146	484,528		484,528
CHANGE IN NET ASSETS	(48,190)	(45,600)	(93,790)	13,864	85,100	98,964
NET ASSETS - BEGINNING OF YEAR	256,254	145,600	401,854	242,390	60,500	302,890
NET ASSETS - END OF YEAR	\$ 208,064	\$ 100,000	\$ 308,064	\$ 256,254	\$ 145,600	\$ 401,854

See independent auditors' report and notes to financial statements.

SERENDIPITY THEATRE COMPANY, DBA 2ND STORY
Statement of Functional Expenses
For the Year Ended July 31, 2024
With Comparative Totals for the Year Ended July 31, 2023

	<u>PROGRAM</u> <u>SERVICES</u>	<u>MANAGEMENT</u> <u>AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>	
				<u>2024</u>	<u>2023</u>
Salaries, taxes, and benefits	\$ 242,601	\$ 51,523	\$ 62,788	\$ 356,912	\$ 331,645
Advertising and marketing	5,990			5,990	110
Artists and facilitators	94,601			94,601	64,753
Special events	1,483		16,902	18,385	9,210
Transaction fees	976	1,263	1,183	3,422	3,051
Insurance	4,360	3,488	872	8,720	7,612
Occupancy	12,924	4,323	6,486	23,733	23,758
People and culture	956	2,931	114	4,001	2,467
Postage	18	327		345	1,333
Photography	400			400	500
Production expenses	12,715			12,715	430
Printing and copying	523	61	363	947	2,799
Professional and accounting fees		16,998		16,998	16,283
Consultants	12,925	10,300	15,502	38,727	10,307
Research and development					351
Supplies	2,649	953		3,602	2,542
Technology	2,081	1,470	3,076	6,627	4,873
Travel	<u>5,322</u>	<u>351</u>	<u>348</u>	<u>6,021</u>	<u>2,504</u>
 Total Expenses - 2024	 <u>\$ 400,524</u>	 <u>\$ 93,988</u>	 <u>\$ 107,634</u>	 <u>\$ 602,146</u>	
 Total Expenses - 2023	 <u>\$ 310,224</u>	 <u>\$ 84,583</u>	 <u>\$ 89,721</u>		 <u>\$ 484,528</u>

See independent auditors' report and notes to financial statements.

SERENDIPITY THEATRE COMPANY, DBA 2ND STORY
Statements of Cash Flows
For the Years Ended July 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (93,790)	\$ 98,964
<i>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:</i>		
<i>Increase (decrease) in cash due to changes in:</i>		
Grants and contributions receivable	(7,729)	(41,900)
Prepaid expenses	(3,820)	674
Other assets	305	
Operating lease right of use asset and liability	150	1,650
Accounts payable and accrued expenses	2,631	714
Other liabilities	<u>(1,500)</u>	<u>1,500</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(103,753)	61,602
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>317,704</u>	<u>256,102</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 213,951</u>	<u>\$ 317,704</u>

SERENDIPITY THEATRE COMPANY, DBA 2nd STORY
Notes to Financial Statements
July 31, 2024 and 2023

NOTE 1 - NATURE OF OPERATIONS

Serendipity Theatre Company, dba 2nd Story (“2nd Story”), an Illinois nonprofit 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 financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable for non-for-profit organizations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

2nd Story reports information regarding its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions. Net assets are generally reported as without donor restriction unless assets are received from donors with explicit stipulations that limit the use of the asset.

- *Net Assets without Donor Restrictions:* Net assets that are not subject to donor-imposed restrictions and available to finance the general operations of 2nd Story. The only limits on the use of net assets without donor restriction are the broad limits resulting from the nature of 2nd Story, the environment in which it operates and the purposes specified in its articles of incorporation.
- *Net Assets with Donor Restrictions:* Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

2nd Story considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

In 2024 and 2023, 2nd Story maintained cash balances at two financial institutions located in Illinois. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, 2nd Story's cash deposits may be in excess of the FDIC limit. To date, no losses have been experienced in any of these accounts and 2nd Story believes they are not exposed to any significant credit risk on cash and cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. An allowance for uncollectible grants and contributions receivable is provided when evidence indicates amounts promised by donors may not be collectible. No allowance was considered necessary at July 31, 2024 and 2023. Grants and contributions receivable as of July 31, 2024 and 2023 were \$100,679 and \$92,950, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

2nd Story determines if an arrangement is or contains a lease at inception. Leases are included in operating right of use ("ROU") assets and operating lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets may also include prepaid or accrued rent. For operating leases, 2nd Story uses an annualized borrowing rate of 0.8% over the weighted average lease term. Operating lease expense is recognized on a straight-line basis over the lease term. 2nd Story does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Public Support and Revenue Recognition

Contributions and grants, received or pledged, are recorded as net assets without donor restrictions unless specifically restricted by the donor. All donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions, and are transferred to net assets without donor restrictions, as the restrictions are met.

Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Otherwise, donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Performance-related revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by 2nd Story 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. 2nd Story 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 to provide additional goods or services. Performance programming revenue includes ticket sales for storytelling events and is recognized at the time of performance. CultureBuilds revenue is for programs contracted with corporations and 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 and is recognized over time in the period to which the service relates and when obligations under the terms of the agreement are satisfied.

Pledged amounts, if any, whether conditional or unconditional promises to give are perpetually reviewed by management, on a case-by-case basis with regard to revenue recognition, collectability and, where applicable, to ensure donor-imposed restrictions are satisfied on a timely basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statement of functional expense presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Income Taxes

2nd Story is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Due to its tax-exempt status, 2nd Story is not subject to U.S. federal or state income taxes and, accordingly, no provision has been made for either federal or state income taxes. Management believes that 2nd Story continues to qualify and to operate as designated.

However, 2nd Story's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, compliance with U.S. federal and U.S. state tax laws, and changes in the administrative practices and precedents of the relevant taxing authorities.

2nd Story remains liable for taxes on unrelated business income, if any. 2nd Story recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. 2nd Story is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years before the 2021 tax year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Authoritative Guidance

Effective August 1, 2023, 2nd Story adopted Accounting Standards Update (“ASU”) No. 2022-02, *Financial Instruments – Credit Losses*, which requires organizations to measure all expected credit losses for financial instruments held at the reporting date. The standard also increases the disclosure requirements around credit losses. Adoption of this standard did not have an impact on the financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As of July 31, 2024 and 2023, 2nd Story’s liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2024</u>	<u>2023</u>
Financial assets		
Cash and cash equivalents	\$ 213,951	\$ 317,704
Grants and contributions receivable	<u>100,679</u>	<u>92,950</u>
Total financial assets available within one year	314,630	410,654
Less: Amounts unavailable for use within one year due to:		
Net assets with donor restrictions	<u>(10,000)</u>	<u>(35,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 304,630</u>	<u>\$ 375,654</u>

2nd Story’s goal is to maintain financial assets sufficient to become available as its general expenditures and other obligations become due.

NOTE 4 - LEASES

In 2021, 2nd Story entered into a noncancellable five-year operating lease agreement for office space, expiring October 31, 2026. Monthly rents under the lease term range from \$1,450 to \$1,650.

At July 31 2024, the weighted average remaining lease term was 2.3 years, the weighted average discount rate was 0.8%.

NOTE 4 - LEASES (Continued)

Maturities of lease liabilities as of July 31, 2024 are as follows:

Year Ending	Amount
<u>July 31,</u>	
2025	\$ 19,050
2026	19,650
2027	<u>4,950</u>
Total lease payments	43,650
Less: effects of discounting	<u>(399)</u>
Operating lease liability	<u>\$ 43,251</u>

Total occupancy expense for the years ended July 31, 2024 and 2023 was \$23,733 and \$23,758, respectively, including common area maintenance charges. During the years ended July 31, 2024 and 2023, 2nd Story paid cash relating to the operating lease of \$18,450 and \$17,850, respectively, which is included in operating cash flows from operating leases.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at July 31:

	<u>2024</u>	<u>2023</u>
Performance	\$	\$ 70,000
Timing	<u>100,000</u>	<u>75,600</u>
	<u>\$ 100,000</u>	<u>\$ 145,600</u>

Net assets released from restrictions were \$145,600 and \$60,500 for the years ended July 31, 2024 and 2023, respectively.

NOTE 6 - RELATED PARTY TRANSACTIONS

The volunteer board members of 2nd Story 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 \$79,573 and \$75,390 for the years ended July 31, 2024 and 2023, respectively.

NOTE 7 - REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The following table disaggregates contract revenue based on the timing of satisfaction of performance obligations for the years ended July 31:

	<u>2024</u>	<u>2023</u>
Performance obligations satisfied at a point in time	\$ 115,066	\$ 120,524
Performance obligations satisfied over time	48,249	37,989

Contract Balances

The timing of revenue recognition, billings and cash collections results in contract assets, receivables, and contract liabilities. Contract assets would exist when 2nd Story has a contract with a customer for which revenue has been recognized, but customer payment is contingent on a future event. 2nd Story's revenue from contracts with customers is based on delivered goods and services and is generally limited to amounts that are not contingent on future events. There were no contract assets or liabilities at July 31, 2024, 2023 and 2022.

Significant Judgment

Significant judgment is required to be made by management to determine the appropriate approach to applying the revenue recognition criteria. Significant judgment was also required when determining whether revenue from contracts with customers was earned at a point in time or over time.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 21, 2024, the date on which the financial statements were available to be issued.