

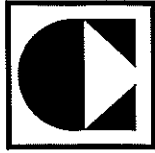
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

**ENCORE STAGE & STUDIO, INC.**

**August 31, 2024**  
**(with summarized financial information**  
**for the year ended August 31, 2023)**

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**INDEPENDENT AUDITOR'S REPORT**

To the Finance Committee  
Encore Stage & Studio, Inc.

We have audited the accompanying financial statements of the Encore Stage & Studio, Inc. (a nonprofit organization), which comprise the balance sheet as of August 31, 2024, and the related statements of activities, cash flows and functional expenses 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 Encore Stage & Studio, Inc. as of August 31, 2024, and the changes in its net assets and its functional expenses and cash flows for the year then ended in accordance with accounting standards 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 Statement section of our report. We are required to be independent of Encore Stage & Studio, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related 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.

## **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 judgement and maintain professional skepticism through 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 Encore Stage & Studio, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Encore Stage & Studio, Inc.'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.

### **Report on Summarized Comparative Information**

We have previously audited Encore Stage & Studio, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023, is consistent, in all material respects, with the audited financial statements from which it was derived.

*Douglas Corey & Associates, P.C.*

Fairfax, Virginia  
October 28, 2024

**Encore Stage & Studio, Inc.**  
**Statements of Financial Position**  
**August 31, 2024 and 2023**

(See Independent Auditor's Report and notes to financial statements)

	2024	2023
<b>Assets</b>		
Current Assets		
Cash	\$ 579,464	\$ 579,139
Accounts receivable	715	-
Prepaid expenses	<u>15,135</u>	<u>20,197</u>
Total current assets	595,314	599,336
Equipment, net of accumulated depreciation of \$16,733 and \$11,693	5,564	10,078
Investments	541,434	410,289
Security deposit	<u>1,000</u>	<u>1,000</u>
	<u>\$ 1,143,312</u>	<u>\$ 1,020,703</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 8,383	\$ 6,147
Accrued payroll and payroll taxes	35,822	54,260
Deferred revenue	<u>80,209</u>	<u>98,918</u>
Total current liabilities	124,414	159,325
Net Assets		
Without Donor Restrictions	507,348	353,826
Board Designated	400,000	400,000
With Donor Restrictions	<u>111,550</u>	<u>107,552</u>
	<u>1,018,898</u>	<u>861,378</u>
	<u>\$ 1,143,312</u>	<u>\$ 1,020,703</u>

**Encore Stage & Studio, Inc.**  
**Statement of Activities**  
**For the year ended August 31, 2024**  
**Comparative Totals for 2023**  
(See Independent Auditor's Report and notes to financial statements)

	<u>Without Donor Restrictions</u>	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>2024 Total</u>	<u>2023 Total</u>
Revenue and Other Support:					
Tuition and fees	\$ 840,093	\$ -	\$ -	\$ 840,093	\$ 748,962
Tickets	125,298	-	-	125,298	132,271
Contributions	150,271	-	3,998	154,269	142,994
Grants	83,910	-	32,500	116,410	95,447
Interest	20,187	-	-	20,187	21,103
Other income related to productions	13,599	-	-	13,599	13,168
Realized gain (loss) on investment	-	-	-	-	(12,945)
Unrealized gain (loss) on investment	36,197	-	-	36,197	12,572
Net assets released from restriction:					
Satisfaction of program restrictions	32,500	-	(32,500)	-	-
	<u>1,302,055</u>	<u>-</u>	<u>3,998</u>	<u>1,306,053</u>	<u>1,153,572</u>
Expenses:					
Program services:					
Education	538,258	-	-	538,258	431,111
Productions	327,829	-	-	327,829	329,930
Total program services	<u>866,087</u>	<u>-</u>	<u>-</u>	<u>866,087</u>	<u>761,041</u>
Supporting services:					
Administration	195,929	-	-	195,929	158,993
Fundraising	86,517	-	-	86,517	75,906
Total supporting services	<u>282,446</u>	<u>-</u>	<u>-</u>	<u>282,446</u>	<u>234,899</u>
Total expenses	<u>1,148,533</u>	<u>-</u>	<u>-</u>	<u>1,148,533</u>	<u>995,940</u>
Change in net assets	153,522	-	3,998	157,520	157,632
Net assets, beginning of year	<u>353,826</u>	<u>400,000</u>	<u>107,552</u>	<u>861,378</u>	<u>703,746</u>
Net assets, end of year	<u>\$ 507,348</u>	<u>\$ 400,000</u>	<u>\$ 111,550</u>	<u>\$ 1,018,898</u>	<u>\$ 861,378</u>

(See Independent Auditor's Report and notes to financial statements)

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**Encore Stage & Studio, Inc.**  
**Statements of Cash Flows**  
**For the years ended August 31, 2024 and 2023**  
(See Independent Auditor's Report and notes to financial statements)

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 157,520	\$ 157,632
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized (gain) loss on investment	-	12,945
Unrealized (gain) loss on investment	(36,197)	(12,572)
Depreciation	5,039	5,039
(Increase) decrease in accounts receivable	(715)	5,096
(Increase) decrease in prepaid expenses	5,062	(10,410)
Increase (decrease) in accounts payable	2,236	(7,415)
Increase (decrease) in accrued payroll and payroll taxes	(18,438)	(3,415)
Increase (decrease) in deferred revenue	<u>(18,709)</u>	<u>(18,500)</u>
Net cash provided (used) by operating activities	95,798	128,400
Cash flows from investing activities:		
Purchase of production equipment	(525)	(15,117)
Purchase of investments	(94,948)	(413,431)
Proceeds from investment sales	<u>-</u>	<u>2,769</u>
Net cash provided (used) by investing activities	<u>(95,473)</u>	<u>(425,779)</u>
Net increase (decrease) in cash and cash equivalents	325	(297,379)
Cash, beginning of year	<u>579,139</u>	<u>876,518</u>
Cash, end of year	\$ <u><u>579,464</u></u>	\$ <u><u>579,139</u></u>
Supplemental disclosures:		
Summary of non-cash operating transactions:		
In-kind contributions of goods/supplies	\$ -	\$ -
Supplies/professional fees	<u>-</u>	<u>-</u>
Net non-cash operating transactions	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Cash paid during the year for:		
Income taxes	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Interest expense	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Encore Stage & Studio, Inc.**  
**Notes to Financial Statements**  
**August 31, 2024 and 2023**  
(See Independent Auditor's Report)

**Note A - Nature of Organization**

Encore Stage & Studio, Inc. (Encore) originally incorporated in 1966 as Children's Theatre of Arlington, is a non-profit educational theatre dedicated to providing professional quality theatrical experiences for young people, their families and the community in the metropolitan area. Through productions, featuring casts and technical crews aged 9-18, under the guidance of professional directors and designers, and through classes and workshops for ages 4-adult, staffed by educational and dramatic professionals, all aspects of theatre are explored. Encore Stage & Studio, Inc. is located in Arlington, Virginia and is operated by a volunteer Board of Directors. It serves the entire community with theatrical opportunities for children, teens and adults. Encore Stage & Studio, Inc.'s main sources of revenue include fees from educational programs and income from ticket sales.

**Note B - Summary of Accounting Policies**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Method of Accounting

Encore's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

2. Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions represent resources that are not subject to donor-imposed restrictions and are available for operations at management's discretion. During the year ended August 31, 2023, the board of directors designated \$400,000 from unrestricted cash to the Theatre for All fund. The Theatre for All fund has been established to ensure that children will continue to have access to the joy of the performing arts.

Net Assets With Donor Restrictions represent resources restricted by the donor as to purpose or by the passage of time.

**Encore Stage & Studio, Inc.**  
**Notes to Financial Statements**  
**August 31, 2024 and 2023**  
(See Independent Auditor's Report)

**Note B - Summary of Accounting Policies, continued**

**3. Income Taxes**

Income taxes are not provided for in the financial statements since Encore is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Encore follows the guidance of Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for Encore for the years ended August 31, 2024 and 2023.

Encore's tax returns are subject to possible examination by taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

**4. Equipment and Depreciation**

Equipment is capitalized at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value at the date of the gift. The assets are depreciated on a straight-line basis over their estimated useful lives. Depreciation expense totaled \$5,039 for the year ended August 31, 2024.

**5. Contributions**

All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Contributions with donor restrictions, such as time or purpose restrictions, are recorded as increases in net assets with donor restrictions. When donor-imposed time conditions expire or donor-imposed purpose restrictions are fulfilled, the amounts are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**6. Investments**

Encore's investments consist of an investment in an agency fund. The agency fund is a fund established with the Arlington Community Foundation whereby Encore selects the investment pool and the Foundation manages it. The agency fund is exclusively used for Encore's benefit. The agency fund is recognized at fair value on the balance sheet.

**Encore Stage & Studio, Inc.**  
**Notes to Financial Statements**  
**August 31, 2024 and 2023**  
(See Independent Auditor's Report)

**Note B - Summary of Accounting Policies, continued**

7. Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

8. Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

9. Advertising

Advertising costs are charged to expense as incurred. Encore's advertising costs totaled \$12,931 and \$19,291 for the years ended August 31, 2024 and 2023, respectively.

10. Use of Estimates

The preparation of financial statements in conformity with 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.

**Note C – Date of Management's Review**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2024, the date that the financial statements were available to be issued.

**Encore Stage & Studio, Inc.**  
**Notes to Financial Statements**  
**August 31, 2024 and 2023**  
(See Independent Auditor's Report)

**Note D—Liquidity and Availability of Financial Assets**

Encore maintains a liquid cash balance in checking and savings accounts in an amount necessary to meet 90 days of operating expenses (approximately \$400,000). As part of its liquidity plan, excess cash is invested through the Arlington Community Foundation's donor advised funds.

Encore's financial assets available for general expenditures through August 31 2024 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 579,464
Less: amount designated by donor	<u>(111,550)</u>
Financial assets available for general expenditures within one year	<u>\$ 467,914</u>

**Note E – Deferred Revenue**

Deferred revenue on the accompanying financial statements reflects credits for future courses and performances. Deferred revenue totaled \$80,209 and \$98,918 as of August 31, 2024 and 2023, respectively. The balance of outstanding credits will be systematically written off based on estimates of redemption patterns.

**Note F – Investments**

The adjusted basis and fair value as of August 31, 2024 and 2023 are as follows:

	<b>Adjusted Basis</b>	<b>Fair Value</b>	<b>Unrealized Gains (Losses)</b>
August 31, 2024			
Agency fund	<u>\$ 505,237</u>	<u>\$ 541,434</u>	<u>\$ 36,197</u>
August 31, 2023			
Agency fund	<u>\$ 397,717</u>	<u>\$ 410,289</u>	<u>\$ 12,572</u>

The Agency Fund is a fund managed by the Arlington Community Foundation. The fund is a pooled fund consisting short-term investments. The investment reported for Encore is their share of the total amount.

**Encore Stage & Studio, Inc.**  
**Notes to Financial Statements**  
**August 31, 2024 and 2023**  
(See Independent Auditor's Report)

**Note F – Investments, continued**

Investment income for the year ended August 31, 2024 and 2023 consists of the following:

	2024	2023
Interest and dividends	\$20,187	\$21,103
Realized gain (loss) on investments	-	(12,945)
Unrealized gain (loss) on investments	<u>36,197</u>	<u>12,572</u>
Total investment income	<u>\$ 56,384</u>	<u>\$ 20,730</u>

**Note G – Fair Value Measurements**

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at August 31, 2024 and 2023:

<b><u>Description</u></b>	<b><u>Fair Value</u></b>	<b><u>Significant Observable Inputs (Level 1)</u></b>
August 31, 2024		
Agency fund	<u>\$ 541,434</u>	<u>\$ 541,434</u>
August 31, 2023		
Agency fund	<u>\$ 410,289</u>	<u>\$ 410,289</u>

**Encore Stage & Studio, Inc.**  
**Notes to Financial Statements**  
**August 31, 2024 and 2023**  
(See Independent Auditor's Report)

**Note G – Fair Value Measurements, continued**

The carrying amounts reflected in the balance sheet for cash, accounts receivable, and, accounts payable approximates fair value due to the short maturities of those instruments.

**Note H – Operating Lease**

On July 1, 2024, the Organization entered into an operating lease for office space. The lease term is one year.

Rent expense totaled \$18,000 and \$13,000 for the years ended August 31, 2024 and 2023, respectively, under this lease.

On September 1, 2023, the Organization entered into an operating lease for class, camp and rehearsal space. The lease term is one year.

Rent expense totaled \$20,850 and \$18,000 for the years ended August 31, 2024 and 2023, respectively, under this lease.

**Note I – Net Assets with Donor Restrictions**

Temporarily restricted net assets are available for the following purpose:

	<b>August 31, 2024</b>	<b>August 31, 2023</b>
Theater for All	<u>\$111,550</u>	<u>\$107,552</u>

**Note J - Contributed Assets and Services**

Contributions of donated non-cash assets are recorded at their fair market value in the period received. For the years ended August 31, 2024 and 2023, the Organization received no non-cash contributions.

Unpaid volunteers contribute their time to forward the Organization's program services. Those donated services do not meet the criteria for recognition as donated services under generally accepted accounting principles, therefore the value of this contributed time is not reflected in the accompanying financial statements.

**Encore Stage & Studio, Inc.**  
**Notes to Financial Statements**  
**August 31, 2024 and 2023**  
(See Independent Auditor's Report)

**Note K – Related Party Transactions**

During the year ended August 31, 2024 contributions from board members totaled \$16,045 and comprised 1.23% of total support. During the year ended August 31, 2023 contributions from board members totaled \$10,899 and comprised .94% of total support.

**Note L – Retirement Plan**

Encore maintains a SIMPLE IRA for all eligible employees. Under this plan, employees can elect to defer up to \$16,000 of their salary in calendar year 2024 and \$15,500 of their salary in calendar year 2023. Encore matches employee contributions up to 3% of salary. For the years ended August 31, 2024 and 2023, Encore's retirement expense totaled \$9,045 and \$15,017, respectively.