



EDUCATIONAL THEATRE COMPANY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2022



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Educational Theatre Company
Arlington, Virginia

Opinion

We have audited the accompanying financial statements of Educational Theatre Company which comprise the statement of financial position as of December 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 Educational Theatre Company as of December 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Educational Theatre Company 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 these 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 Educational Theatre Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (Concluded)

Auditors' 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 auditors' 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 Educational Theatre 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 Educational Theatre 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.

Jones & McIntyre, PLLC

January 18, 2024

EDUCATIONAL THEATRE COMPANY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 408,060
Accounts receivable	15,020
Prepaid expenses	582
Total Current Assets	<u>\$ 423,662</u>

PROPERTY AND EQUIPMENT, AT COST

Office furniture and equipment	\$ 6,922
Less, accumulated depreciation	(4,752)
Property and Equipment, net	<u>\$ 2,170</u>

TOTAL ASSETS	<u><u>\$ 425,832</u></u>
---------------------	--------------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 430
Total Current Liabilities	<u>\$ 430</u>

NET ASSETS

Net assets with donor restrictions	\$ 25,925
Net assets without donor restrictions	399,477
Total Net Assets	<u>\$ 425,402</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 425,832</u></u>
---	--------------------------

The accompanying notes are an integral part of this statement.

EDUCATIONAL THEATRE COMPANY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUE:			
Program revenue	\$ 292,048	\$ -	\$ 292,048
Contributions and grants	165,755	33,225	198,980
PPP loan forgiveness & ERC	112,337		112,337
Sales of supplies	2,257	-	2,257
Contributions of non-financial assets	1,500	-	1,500
Interest income	3	-	3
Net assets released from restrictions	<u>28,525</u>	<u>(28,525)</u>	<u>-</u>
 Total Revenue	 <u>\$ 602,425</u>	 <u>\$ 4,700</u>	 <u>\$ 607,125</u>
 EXPENSES:			
Programs	<u>\$ 273,710</u>	<u>\$ -</u>	<u>\$ 273,710</u>
Supporting Services:			
General and administrative	\$ 64,062	\$ -	\$ 64,062
Fundraising	24,946	-	24,946
Total Supporting Services	<u>\$ 89,008</u>	<u>\$ -</u>	<u>\$ 89,008</u>
 Total Expenses	 <u>\$ 362,718</u>	 <u>\$ -</u>	 <u>\$ 362,718</u>
 CHANGE IN NET ASSETS	 <u>\$ 239,707</u>	 <u>\$ 4,700</u>	 <u>\$ 244,407</u>
 NET ASSETS, BEGINNING OF YEAR	 <u>159,770</u>	 <u>21,225</u>	 <u>180,995</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 399,477</u></u>	 <u><u>\$ 25,925</u></u>	 <u><u>\$ 425,402</u></u>

The accompanying notes are an integral part of this statement.

EDUCATIONAL THEATRE COMPANY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Programs	General and Administrative	Fundraising	Total
Salaries	\$ 215,437	\$ 5,369	\$ 22,439	\$ 243,245
Employee benefits	-	11,845	-	11,845
Payroll taxes	11,496	6,118	1,173	18,787
Total Personnel	\$ 226,933	\$ 23,332	\$ 23,612	\$ 273,877
Professional services	2,095	24,606	-	26,701
Occupancy	17,328	144	-	17,472
Credit card & bank fees	11,496	290	452	12,238
Office	1,909	8,450	882	11,241
Production expenses	8,530	-	-	8,530
Advertising/marketing	4,746	3,372	-	8,118
Insurance	645	1,919	-	2,564
Depreciation	-	1,304	-	1,304
Travel	28	645	-	673
 Total Functional Expenses	 \$ 273,710	 \$ 64,062	 \$ 24,946	 \$ 362,718

The accompanying notes are an integral part of this statement.

EDUCATIONAL THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

Note 1. Summary of Significant Accounting Policies:

Organization:

Educational Theatre Company (ETC) was established in 1998 to unlock the potential of children and adults through immersion in theatre arts. ETC's goal is to reach out to underserved communities in the Arlington, VA/DC Metro Area through high-quality theatre education. ETC runs spring break and summer camps for children which cover Shakespeare, musical revue, creative drama, film making and comedy. ETC also provides after school arts education classes and produces main stage residencies in partnership with schools and other community organizations.

All programming is based on ETC's four pillars: Creativity, Confidence, Collaboration, and Community. ETC's educational programs have the same underlying philosophy, underscoring the cohesion the arts create and the possibilities for promoting understanding between diverse cultural groups. ETC believes that high standards are required for this undertaking, and that new generations of audiences and artists need hands-on arts education provided by professionals in the artistic disciplines. Our educators not only serve as teachers, but act as role models for youth and upcoming artists. ETC increases access to and participation in high quality theatre programs at the community and professional level.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Financial Statement Presentation:

The accompanying financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under this ASC, ETC is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. ETC's net assets with donor restrictions consists of temporarily restricted net assets. Temporarily restricted net assets have donor-imposed restrictions based on purpose or passage of time.

Cash and Cash Equivalents:

Cash consists of demand deposits and a short-term certificate of deposit with financial institutions which at times exceeded federally insured limits. ETC has not experienced any losses in such accounts, and management believes ETC is not exposed to any significant credit risks.

Promises to Give:

Unconditional promises to give are recognized in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At December 31, 2022 there were no promises to give.

EDUCATIONAL THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

Note 1. **Summary of Significant Accounting Policies:** (Continued)

Accounts Receivable:

At December 31, 2022 accounts receivable for program services was \$15,020 which was paid in 2023.

Property and Equipment:

Property and equipment is stated at cost. Depreciation of equipment is computed using the straight-line method based on estimated useful lives of 3-7 years. ETC capitalizes property and equipment purchases of \$500 or more.

Revenue Recognition:

Contributions of Cash and Other Financial Assets:

Contributions are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, 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.

Tuition, fees and supply sales:

Tuition, fees and supply sales are recognized when the camp or program occurs or when the sale is completed (point-in-time).

Revenue Disaggregation:

ETC disaggregates revenue from contracts with customers into major revenue streams and the timing of recognizing revenue.

Point-in-time	\$ 294,305
Over time	---
	<u>\$ 294,305</u>

Income Tax Status:

ETC is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center has been determined by the Internal Revenue Service to be a publicly supported charity within the meaning of Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

ETC believes that it has appropriate support for any income tax positions taken and, as such, does not have any uncertain income tax positions that are material to the financial statements.

EDUCATIONAL THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2022

Note 1. **Summary of Significant Accounting Policies:** (Concluded)

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.

Functional Allocation of Expenses:

ETC allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program, fundraising, or general and administrative service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases or management's estimate of time spent on each function.

Note 2. **Contributions of Non-Financial Assets:**

Contributed nonfinancial assets recognized within the statement of activities included:

Marketing services	<u>\$ 1,500</u>
--------------------	-----------------

Unless otherwise noted, contributed nonfinancial assets did not have any donor-imposed restrictions. Contributed nonfinancial assets are recorded at fair value based on estimated current rates.

Note 3. **Net Assets with Donor Restrictions:**

Temporarily restricted net assets consisted of the following at December 31, 2022:

Devising Hope	\$ 4,700
Timing	<u>21,225</u>
Total	<u>\$ 25,925</u>

During the year ended December 31, 2022 releases from temporarily restricted net assets totaled \$28,525.

Note 4. **Corporate Credit Card:**

ETC has a corporate credit card with a total credit limit of \$10,000 and a cash limit of \$5,000. The outstanding balance on the credit card account at December 31, 2022 was \$251 and is included in accounts payable and accrued expenses on the statement of financial position.

EDUCATIONAL THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

DECEMBER 31, 2022

Note 5. **Liquidity and Availability of Financial Assets:**

The following reflects the ETC's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year-end	\$ 423,080
Less, donor restricted	<u>25,925</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 397,155</u>

ETC has a policy to structure its financial assets to be available throughout the year as general expenditures become due.

Note 6. **Board Designated Net Assets:**

ETC's Board of Directors has designated a portion of unrestricted net assets for the following purposes:

Cash Reserve	<u>\$ 25,000</u>
--------------	------------------

Note 7. **Subsequent Events:**

Management has evaluated subsequent events through January 18, 2024, the date the financial statements were available to be issued.