

STAGES THEATRE COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED AUGUST 31, 2024 AND 2023



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YEARS ENDED AUGUST 31, 2024 AND 2023**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Stages Theatre Company
Hopkins, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Stages Theatre Company (STC), which comprise the consolidated statements of financial position as of August 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Stages Theatre Company as of August 31, 2024 and 2023, and its changes in 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Stages Theatre 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Stages Theatre Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 Stages 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stages 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position, consolidating statement of activities, and consolidating statement of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 25, 2024

STAGES THEATRE COMPANY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,277,288	\$ 1,493,053
Accounts Receivable, Net	990	3,186
Promises to Give, Net	298,775	288,794
Prepaid Expenses and Other Assets	<u>173,767</u>	<u>146,901</u>
Total Current Assets	1,750,820	1,931,934
Promises to Give, Noncurrent Portion	65,162	83,992
Investments	2,388,415	1,814,576
Property and Equipment, Net	80,476	97,836
Security Deposit	2,950	1,750
Right-of-Use Assets	<u>1,801,697</u>	<u>741,812</u>
Total Assets	<u><u>\$ 6,089,520</u></u>	<u><u>\$ 4,671,900</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 57,842	\$ 36,582
Accrued Expenses	67,583	34,477
Funds Held for Others	8,092	8,092
Current Lease Liability	166,886	223,032
Deferred Revenue	<u>241,622</u>	<u>225,814</u>
Total Current Liabilities	542,025	527,997
LONG-TERM LIABILITIES		
Long-Term Lease Liability	<u>1,666,687</u>	<u>641,928</u>
Total Long-Term Liabilities	1,666,687	641,928
Total Liabilities	2,208,712	1,169,925
NET ASSETS		
Without Donor Restrictions		
Undesignated	2,421,903	2,280,132
Board-Designated - Campaign Fund	<u>150,000</u>	<u>-</u>
Total Without Donor Restrictions	2,571,903	2,280,132
With Donor Restrictions	<u>1,308,905</u>	<u>1,221,843</u>
Total Net Assets	<u><u>3,880,808</u></u>	<u><u>3,501,975</u></u>
Total Liabilities and Net Assets	<u><u>\$ 6,089,520</u></u>	<u><u>\$ 4,671,900</u></u>

See accompanying Notes to Consolidated Financial Statements.

STAGES THEATRE COMPANY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and Contributions	\$ 236,547	\$ 263,964	\$ 500,511
Ticket Sales	1,445,613	-	1,445,613
School Contracts	278,570	-	278,570
Tuition	746,272	-	746,272
CPT Income	18,373	-	18,373
Touring Income	6,500	-	6,500
Concessions Income	13,355	-	13,355
Advertising Income	19,950	-	19,950
Special Event	36,292	-	36,292
Contributed Nonfinancial Assets	57,557	-	57,557
Investment Income, Net	135,722	12,161	147,883
Other Income	5,471	-	5,471
Net Assets Released from Restrictions	189,063	(189,063)	-
Total Revenue and Support	<u>3,189,285</u>	<u>87,062</u>	<u>3,276,347</u>
EXPENSES			
Program Services	2,185,729	-	2,185,729
Support Services:			
General and Administrative	614,708	-	614,708
Fundraising	97,077	-	97,077
Total Expenses	<u>2,897,514</u>	<u>-</u>	<u>2,897,514</u>
CHANGE IN NET ASSETS	291,771	87,062	378,833
Net Assets - Beginning of Year	<u>2,280,132</u>	<u>1,221,843</u>	<u>3,501,975</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,571,903</u></u>	<u><u>\$ 1,308,905</u></u>	<u><u>\$ 3,880,808</u></u>

See accompanying Notes to Consolidated Financial Statements.

STAGES THEATRE COMPANY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and Contributions	\$ 252,676	\$ 317,215	\$ 569,891
Ticket Sales	1,257,358	-	1,257,358
School Contracts	263,570	-	263,570
Tuition	607,694	-	607,694
CPT Income	10,753	-	10,753
Touring Income	6,500	-	6,500
Concessions Income	19,095	-	19,095
Advertising Income	13,975	-	13,975
Special Event	26,128	-	26,128
Contributed Nonfinancial Assets	83,847	-	83,847
Investment Income, Net	31,401	10,506	41,907
Other Income	19,019	-	19,019
Net Assets Released from Restrictions	189,557	(189,557)	-
Total Revenue and Support	<u>2,781,573</u>	<u>138,164</u>	<u>2,919,737</u>
EXPENSES			
Program Services	2,123,793	-	2,123,793
Support Services:			
General and Administrative	577,917	-	577,917
Fundraising	79,561	-	79,561
Total Expenses	<u>2,781,271</u>	<u>-</u>	<u>2,781,271</u>
CHANGE IN NET ASSETS	302	138,164	138,466
Net Assets - Beginning of Year	<u>2,279,830</u>	<u>1,083,679</u>	<u>3,363,509</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,280,132</u></u>	<u><u>\$ 1,221,843</u></u>	<u><u>\$ 3,501,975</u></u>

See accompanying Notes to Consolidated Financial Statements.

STAGES THEATRE COMPANY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2024

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 1,320,710	\$ 252,105	\$ 62,780	\$ 1,635,595
Employee Benefits	101,284	16,050	4,803	122,137
Payroll Taxes	50,406	33,787	3,079	87,272
Subtotal	<u>1,472,400</u>	<u>301,942</u>	<u>70,662</u>	<u>1,845,004</u>
Occupancy	136,527	13,963	4,654	155,144
Professional Services	91,025	134,042	1,861	226,928
Supplies	84,789	6,193	11,613	102,595
Marketing and Advertising	40,179	36,781	-	76,960
Depreciation and Amortization	21,464	4,117	1,025	26,606
Printing and Copying	44,611	4,562	1,521	50,694
Contract Labor	92,674	1,600	963	95,237
Credit Card Processing Fees	-	93,549	-	93,549
Telephone and Internet	10,860	2,083	519	13,462
Insurance	14,740	2,827	704	18,271
Royalty Expense	108,302	-	-	108,302
Postage	14,190	2,722	678	17,590
Dues, Subscriptions, and Memberships	10,902	2,091	521	13,514
Travel	14,223	243	-	14,466
Equipment Rental and Maintenance	1,843	2,855	1,078	5,776
Meetings	14,955	2,868	714	18,537
Miscellaneous	<u>12,045</u>	<u>2,270</u>	<u>564</u>	<u>14,879</u>
Total Expenses by Function	<u><u>\$ 2,185,729</u></u>	<u><u>\$ 614,708</u></u>	<u><u>\$ 97,077</u></u>	<u><u>\$ 2,897,514</u></u>

See accompanying Notes to Consolidated Financial Statements.

STAGES THEATRE COMPANY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 1,220,408	\$ 195,385	\$ 56,820	\$ 1,472,613
Employee Benefits	93,278	14,417	4,341	112,036
Payroll Taxes	51,038	29,116	2,937	83,091
Subtotal	<u>1,364,724</u>	<u>238,918</u>	<u>64,098</u>	<u>1,667,740</u>
Occupancy	201,858	20,644	6,881	229,383
Professional Services	60,490	189,594	526	250,610
Supplies	85,933	5,236	1,875	93,044
Marketing and Advertising	40,056	32,332	-	72,388
Depreciation and Amortization	29,882	4,807	1,398	36,087
Printing and Copying	42,543	4,351	1,450	48,344
Contract Labor	90,315	-	150	90,465
Credit Card Processing Fees	-	67,500	-	67,500
Telephone and Internet	11,669	1,877	546	14,092
Insurance	14,408	2,318	674	17,400
Royalty Expense	123,122	-	-	123,122
Postage	15,217	2,448	712	18,377
Dues, Subscriptions, and Memberships	6,706	1,079	314	8,099
Travel	11,290	1,674	-	12,964
Equipment Rental and Maintenance	5,459	1,922	-	7,381
Meetings	11,973	1,926	560	14,459
Miscellaneous	<u>8,148</u>	<u>1,291</u>	<u>377</u>	<u>9,816</u>
Total Expenses by Function	<u><u>\$ 2,123,793</u></u>	<u><u>\$ 577,917</u></u>	<u><u>\$ 79,561</u></u>	<u><u>\$ 2,781,271</u></u>

See accompanying Notes to Consolidated Financial Statements.

STAGES THEATRE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 378,833	\$ 138,466
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation and Amortization	26,606	36,087
Realized and Unrealized (Gain) Loss on Operating Investments	(47,972)	22,382
Straight-Line Rent Adjustment	-	(138,071)
Increase (Decrease) in Allowance for Doubtful Accounts	-	(5,440)
Contributions for Endowment	(53,365)	(26,806)
Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	2,196	(1,010)
Promises to Give, Net	8,849	129,614
Prepaid Expenses and Other Assets	(30,242)	506
Security Deposit	(1,200)	-
Accounts Payable	24,636	(3,391)
Accrued Expenses	33,106	(112,264)
Funds Held for Others	-	623
Lease Liability	(91,272)	123,148
Deferred Revenue	15,808	37,693
Net Cash Provided by Operating Activities	<u>265,983</u>	<u>201,537</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Operating Investments	(2,018,343)	(638,463)
Proceeds from Sales of Operating Investments	1,492,476	648,855
Purchases of Property and Equipment	(9,246)	(3,494)
Net Cash Provided (Used) by Investing Activities	<u>(535,113)</u>	<u>6,898</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for Endowment	<u>53,365</u>	<u>26,806</u>
Net Cash Provided by Financing Activities	<u>53,365</u>	<u>26,806</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(215,765)	235,241
Cash and Cash Equivalents - Beginning of Year	<u>1,493,053</u>	<u>1,257,812</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,277,288</u></u>	<u><u>\$ 1,493,053</u></u>

See accompanying Notes to Consolidated Financial Statements.

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Stages Theatre Company, Inc. (STC) is a professionally staffed, nonprofit arts organization that provides young people from across the state of Minnesota, as participants and as audience members, with production and educational experiences in theatre that are high quality, creative, and character building. STC operates in the Hopkins Center for the Arts and primarily provides services within the Minneapolis and Saint Paul area.

The primary sources of support and revenue are ticket sales, tuition, school contracts, and contributions.

Principles of Consolidation

The consolidated financial statements of Stages Theatre Company include the accounts of Stages Theatre Company, Inc. and CPT Services (a 100% wholly owned for-profit subsidiary of STC). All material inter-organizational transactions have been eliminated. CPT Services exists to provide technical support services to occasional users of the Hopkins Center for the Arts.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash, money, market accounts, and all highly liquid securities purchased with an original maturity date of 90 days or less.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect. Management reviews receivable balances at year-end and establishes an allowance for credit losses based on expected collections, current economic conditions, forward-looking information, and management's evaluation of individual receivables. Accounts receivable are written off when deemed uncollectible. Management has determined that no allowance is necessary at August 31, 2024 and 2023.

Promises to Give

Unconditional promises to give are recorded as receivables and revenue in the period the promise is made. All contributions are recorded at the promised amount. Conditional promises to give are not recorded until the condition is either substantially met or is deemed remote that the condition will not be met. Management has determined that the discount on promises to give is immaterial and a discount has not been recorded at year-end. An allowance for uncollectible promises to give is provided based upon management's judgment, including such factors as prior collection history, an assessment of economic conditions, and a review of subsequent collections. At both August 31, 2024 and 2023, the allowance for uncollectible promises to give was \$5,440.

Property and Equipment

Property and equipment with a purchase cost of \$2,000 or greater is stated at cost and is depreciated on a straight-line basis over the estimated useful lives of the respective depreciable assets. Repairs and maintenance are charged as an expense when incurred.

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

STC determines if an arrangement is a lease at inception. Leases are reported on the statement of financial position as a right-of-use (ROU) asset and lease liability.

ROU assets represent STC's right to use an underlying asset for the lease term and lease liabilities represent STC's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that STC will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. STC has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, STC has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. STC has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Investments

Investments consist of publicly traded certificates of deposit (CDs) carried at fair value. Net investment return is reported in the consolidated statements of activities and consists of interest income and realized and unrealized gains and losses less external investment expenses. Investment balances were \$2,388,415 and \$1,814,576 for the years ended August 31, 2024 and 2023, respectively.

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 available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated from net assets without donor restrictions, net assets for a future period or for a specified purpose.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain 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.

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

STC reports contributions restricted by donors 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. All other 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 consolidated statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Contributions and grants are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. All contributions and grants are considered to be without donor restrictions unless specifically restricted by the donor.

Revenue from ticket sales for performances are recognized over time as the performance takes place when the performance obligation of the ticket has been met. School contracts is recognized over time as the specific performance obligations outlined in the contract have been met. Tuition revenue, CPT income, touring income, and advertising income are recognized over the period of time in which the performance obligations are met. Concessions income is recognized at point of sale, at a point in time.

The following table shows STC's exchange revenue disaggregated according to the timing of the transfer of goods or services at August 31:

	<u>2024</u>	<u>2023</u>
Revenue Recognized Over Time:		
Ticket Sales	\$ 1,445,613	\$ 1,257,358
School Contracts	278,570	263,570
Tuition	746,272	607,694
CPT Income	18,373	10,753
Touring Income	6,500	6,500
Advertising Income	19,950	13,975
Total Revenue Recognized Over Time	<u>\$ 2,515,278</u>	<u>\$ 2,159,850</u>
Revenue Recognized at Point in Time:		
Concessions Income	\$ 13,355	\$ 19,095
Total Revenue Recognized at Point in Time	<u>\$ 13,355</u>	<u>\$ 19,095</u>

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

The following table provides information about significant changes in STC's deferred revenue derived from revenue from contracts with customers for which the performance obligations have not yet been met for the years ending August 31:

	2024	2023	2022
Deferred Ticket Sales	\$ 108,965	\$ 101,911	\$ 87,675
Deferred Tuition Revenue	63,132	67,823	61,295
Deferred Revenue - Gift Certificates and Coupons	69,525	56,080	39,151
Total Deferred Revenue	<u>\$ 241,622</u>	<u>\$ 225,814</u>	<u>\$ 188,121</u>

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred except for advertising related to productions which is expensed in the period the performance takes place. Advertising and promotion expense was \$76,960 and \$72,388 during the years ended August 31, 2024 and 2023, respectively.

Functional Allocation of Expenses

Expenses directly attributed to a specific functional area of STC are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas. Salaries and related expenses are allocated based on job descriptions and management estimates of how employees spend their time. Occupancy and printing and copying are allocated based on square footage used. All other allocated expenses are based on management estimates of employee time.

Income Taxes

Stages Theatre Company is incorporated as a nonprofit corporation under the applicable laws of the state of Minnesota. STC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), except to the extent it has taxable income from activities that are not related to its exempt purpose. CPT Services is an S-Corporation and is not a tax paying entity. All tax effects are passed through to STC. STC generates unrelated business income from advertising sales and CPT Services. STC incurred \$1,412 of tax expense in 2024 and \$318 in 2023. STC believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the consolidated financial statements.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

STC has evaluated subsequent events through November 25, 2024, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

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

	2024	2023
Cash and Cash Equivalents	\$ 1,277,288	\$ 1,493,053
Accounts Receivable	990	3,186
Promises to Give, Current	298,775	288,794
Investments	2,388,415	1,814,576
Subtotal	3,965,468	3,599,609
Less Amounts Not Available to Be Used Within One Year:		
Funds Held for Others	(8,092)	(8,092)
Net Assets With Donor Restrictions	(1,149,026)	(1,086,800)
Total	<u>\$ 2,808,350</u>	<u>\$ 2,504,717</u>

STC's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of STC's liquidity management plan, STC invests cash in excess of daily requirements in CDs at a variety of banks and money market funds. CDs mature from March 2025 through April 2028. Management reviews monthly reports for cash trends, prior year comparisons, and monitors average days cash on hand.

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES

STC reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be assessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quote prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, STC develops inputs using the best information available in these circumstances.

In some cases, the inputs used to measure the fair value of an asset, or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to STC's assessment of the quality, risk, or liquidity profile of the asset or liability.

The following tables present assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at August 31:

		2024			
		Level 1	Level 2	Level 3	Total
Certificates of Deposit		\$ -	\$ 2,388,415	\$ -	\$ 2,388,415
Total		\$ -	\$ 2,388,415	\$ -	\$ 2,388,415

		2023			
		Level 1	Level 2	Level 3	Total
Certificates of Deposit		\$ -	\$ 1,814,576	\$ -	\$ 1,814,576
Total		\$ -	\$ 1,814,576	\$ -	\$ 1,814,576

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 4 PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at August 31:

	2024	2023
Operating Fund:		
Within One Year	\$ 172,024	\$ 141,184
Campaign Fund:		
Within One Year	132,191	153,050
In One to Five Years	65,162	83,992
Subtotal	369,377	378,226
Less: Allowance for Uncollectible Promises to Give	(5,440)	(5,440)
Total	<u>\$ 363,937</u>	<u>\$ 372,786</u>

At August 31, 2024, 78% of the promises to give balance is from two donors. At August 31, 2023, 69% of the promises to give balance was from three donors.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31:

	2024	2023
Production Equipment	\$ 546,459	\$ 546,459
Furniture and Equipment	141,836	132,590
Subtotal	688,295	679,049
Less: Accumulated Depreciation	(607,819)	(581,213)
Total Property and Equipment	<u>\$ 80,476</u>	<u>\$ 97,836</u>

Depreciation and amortization expense totaled \$26,606 and \$36,087 for the years ended August 31, 2024 and 2023, respectively.

NOTE 6 LEASES

STC leases office, theater, and storage spaces under operating leases. The office and theater space lease expires in August 2033. The office and theater space rent increases 3% annually and monthly payments are \$17,197 at August 31, 2024. Rent expense was \$151,104 and \$225,453 for 2024 and 2023, respectively.

STC also leases certain office equipment under leases which expire through April 2029. Lease expense was \$8,075 and \$8,384 in 2024 and 2023, respectively.

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 6 LEASES (CONTINUED)

The following table provides Stages Theatre Company's right-of-use assets and lease liabilities for the year ended August 31, 2024.

	2024	2023
Right-of-Use Assets:		
Operating Leases	\$ 1,801,697	\$ 741,812
Total	<u>\$ 1,801,697</u>	<u>\$ 741,812</u>
Lease Liabilities:		
Current:		
Operating Leases	\$ 166,886	\$ 223,032
Noncurrent:		
Operating Leases	1,666,687	641,928
Total	<u>\$ 1,833,573</u>	<u>\$ 864,960</u>

The following table provides quantitative information concerning STC's leases for the year ended August 31, 2024.

Operating Lease Costs	\$ 276,642	\$ 229,404
Total Lease Costs	<u>\$ 276,642</u>	<u>\$ 229,404</u>
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 246,026	\$ 244,327
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 1,940,878	\$ 937,610
Weighted-Average Remaining Lease Term:		
Operating Leases	8.9 Years	1.5 Years
Weighted-Average Discount Rate:		
Operating Leases	4.15%	3.50%

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 6 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of August 31, 2024 is as follows:

<u>Year Ending August 31,</u>	<u>Operating Leases</u>
2025	\$ 238,986
2026	222,305
2027	228,873
2028	235,638
2029	242,060
Thereafter	1,039,738
Total Lease Payments	2,207,600
Less: Interest	(374,027)
Present Value of Lease Liabilities	<u>\$ 1,833,573</u>

NOTE 7 ENDOWMENT

STC's endowment (the Endowment) consists of one donor-restricted fund established to support new play development by bringing nationally recognized playwrights to STC, helping STC co-create and produce new works, and allowing STC to send young artists to national workshops. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

STC is subject to the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classified amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 7 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

The board of directors of STC has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, STC considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. STC has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law. Additionally, in accordance with UPMIFA, STC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of STC and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation
- The expected total return from income and the appreciation of investments
- Other resources of STC
- The investment policies of STC

The following is a summary of endowment funds subject to UPMIFA for the years ended August 31:

August 31, 2024	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 191,644	\$ 191,644
Interest and Dividends	-	5,723	5,723
Realized and Unrealized Gains	-	6,438	6,438
Contributions	-	53,365	53,365
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 257,170</u>	<u>\$ 257,170</u>
August 31, 2023	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 153,332	\$ 153,332
Interest and Dividends	-	3,988	3,988
Realized and Unrealized Gains	-	7,518	7,518
Contributions	-	26,806	26,806
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 191,644</u>	<u>\$ 191,644</u>

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 7 ENDOWMENT (CONTINUED)

Underwater Endowment Funds

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). STC has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At August 31, 2024 and 2023, there were no underwater endowment funds.

Return Objectives and Risk Parameters

STC has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that STC must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results to provide for income without undue exposure to risk. STC expects its endowment funds, over time, to provide an average rate of return exceeding 1.5%. Actual returns in any given year may vary from this amount.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

Net assets with donor restrictions are restricted for the following purposes as of August 31:

	2024	2023
Subject to Expenditure for Specified Purpose:		
Campaign Fund - Mentorship	\$ 55,000	\$ 55,000
Campaign Fund - Next Generation	814,556	777,856
Time Restricted	159,879	135,043
Sponsorship	-	50,000
Productions	22,300	12,300
Total	<u>1,051,735</u>	<u>1,030,199</u>
Endowments:		
Subject to Appropriation and Expenditure When a		
Specified Event Occurs:		
Restricted by Donors for:		
Campaign Fund - New Play Endowment	12,685	524
Original Donor Restricted Gift Amount to be		
Maintained in Perpetuity:		
Campaign Fund - New Play Endowment	244,485	191,120
Total Endowments	<u>257,170</u>	<u>191,644</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,308,905</u>	<u>\$ 1,221,843</u>

STAGES THEATRE COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2024 AND 2023

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

STC embarked on a multi-year Next Generation Campaign in 2020. Funds raised with this campaign will be used to sustain, innovate, and expand programming to inspire the next generation of leaders, young people, and families of Stages Theatre Company. Key components of the campaign include funding for artistic excellence, advancing theatrical magic, education and mentorship, outreach and access, and capacity building.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended August 31:

	2024	2023
Expiration of Time Restrictions	\$ 128,563	\$ 109,057
Satisfaction of Purpose Restrictions:		
Productions	10,500	30,500
Sponsorship	50,000	50,000
Total	<u>\$ 189,063</u>	<u>\$ 189,557</u>

NOTE 9 CONTRIBUTED NONFINANCIAL ASSETS

During the years ended August 31, 2024 and 2023, STC recognized the following contributed nonfinancial assets by function:

	2024	2023
Program:		
Marketing	\$ 17,725	\$ 22,325
Professional Services	1,560	40,495
Fundraising:		
Event Auction Items	27,920	20,531
Miscellaneous	10,352	496
Total	<u>\$ 57,557</u>	<u>\$ 83,847</u>

Marketing, contract labor, and supplies are used for programmatic activities. Certain donated supplies are used for fundraising activities. STC recognizes these in-kind contributions of goods or services at the estimated fair value that would have otherwise been paid for those goods or the estimated rates for similar services. None of the contributed nonfinancial assets had donor-imposed restrictions on their use.

NOTE 10 RELATED PARTY TRANSACTIONS

STC's board members and staff make donations to STC throughout the year. During the years ended August 31, 2024 and 2023, pledges receivable from current board members and staff were approximately \$171,502 and \$194,200, respectively, or 47% and 52% of total net pledges receivable.

STAGES THEATRE COMPANY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	Stages Theatre Company, Inc.				
	Operating Fund	Campaign Fund	CPT Services	Eliminations	Consolidated
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 891,961	\$ 353,249	\$ 32,078	\$ -	\$ 1,277,288
Accounts Receivable, Net	-	-	990	-	990
Intercompany Receivable	38,493	188,689	-	(227,182)	-
Promises to Give, Net	172,024	126,751	-	-	298,775
Prepaid Expenses and Other Assets	173,767	-	-	-	173,767
Total Current Assets	1,276,245	668,689	33,068	(227,182)	1,750,820
Promises to Give, Noncurrent Portion	-	65,162	-	-	65,162
Investments	1,269,966	1,118,449	-	-	2,388,415
Property and Equipment, Net	80,476	-	-	-	80,476
Security Deposit	2,950	-	-	-	2,950
Right of Use Assets	1,801,697	-	-	-	1,801,697
Total Assets	<u>\$ 4,431,334</u>	<u>\$ 1,852,300</u>	<u>\$ 33,068</u>	<u>\$ (227,182)</u>	<u>\$ 6,089,520</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	\$ 50,078	\$ 7,764	\$ -	\$ -	\$ 57,842
Intercompany Payable	188,689	-	38,493	(227,182)	-
Accrued Expenses	67,583	-	-	-	67,583
Funds Held for Others	287	-	7,805	-	8,092
Current Lease Liability	166,886	-	-	-	166,886
Deferred Revenue	241,622	-	-	-	241,622
Total Current Liabilities	715,145	7,764	46,298	(227,182)	542,025
LONG-TERM LIABILITIES					
Long-Term Lease Liability	1,666,687	-	-	-	1,666,687
Total Liabilities	2,381,832	7,764	46,298	(227,182)	2,208,712
NET ASSETS					
Without Donor Restrictions:					
Undesignated	1,867,323	567,810	(13,230)	-	2,421,903
Board-Designated	-	150,000	-	-	150,000
Total Without Donor Restrictions	1,867,323	717,810	(13,230)	-	2,571,903
With Donor Restrictions	182,179	1,126,726	-	-	1,308,905
Total Net Assets	2,049,502	1,844,536	(13,230)	-	3,880,808
Total Liabilities and Net Assets	<u>\$ 4,431,334</u>	<u>\$ 1,852,300</u>	<u>\$ 33,068</u>	<u>\$ (227,182)</u>	<u>\$ 6,089,520</u>

STAGES THEATRE COMPANY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	Stages Theatre Company, Inc.							
	Without Donor Restrictions		With Donor Restrictions		Total	CPT Services	Eliminations	Consolidated
	Operating Fund	Campaign Fund	Operating Fund	Campaign Fund				
REVENUE AND SUPPORT								
Grants and Contributions	\$ 236,547	\$ -	\$ 173,899	\$ 90,065	\$ 500,511	\$ -	\$ -	\$ 500,511
Ticket Sales	1,445,613	-	-	-	1,445,613	-	-	1,445,613
School Contracts	278,570	-	-	-	278,570	-	-	278,570
Tuition	746,272	-	-	-	746,272	-	-	746,272
CPT Income	-	-	-	-	-	18,373	-	18,373
Touring Income	6,500	-	-	-	6,500	-	-	6,500
Concessions Income	13,355	-	-	-	13,355	-	-	13,355
Advertising Income	19,950	-	-	-	19,950	-	-	19,950
Special Event	36,292	-	-	-	36,292	-	-	36,292
Contributed Nonfinancial Assets	57,557	-	-	-	57,557	-	-	57,557
Investment Income, Net	71,385	64,337	-	12,161	147,883	-	-	147,883
Other Income	5,471	-	-	-	5,471	-	-	5,471
Transfer to (from) Board-Designated Reserves	(150,000)	150,000	-	-	-	-	-	-
Net Assets Released from Restrictions	189,063	-	(189,063)	-	-	-	-	-
Total Support and Revenue	2,956,575	214,337	(15,164)	102,226	3,257,974	18,373	-	3,276,347
EXPENSES								
Program Services	2,171,103	-	-	-	2,171,103	14,626	-	2,185,729
Support Services:								
General and Administrative	614,708	-	-	-	614,708	-	-	614,708
Fundraising	46,072	51,005	-	-	97,077	-	-	97,077
Total Expenses	2,831,883	51,005	-	-	2,882,888	14,626	-	2,897,514
CHANGE IN NET ASSETS	124,692	163,332	(15,164)	102,226	375,086	3,747	-	378,833
Net Assets - Beginning of Year	1,742,631	554,478	197,343	1,024,500	3,518,952	(16,977)	-	3,501,975
NET ASSETS - END OF YEAR	<u>\$ 1,867,323</u>	<u>\$ 717,810</u>	<u>\$ 182,179</u>	<u>\$ 1,126,726</u>	<u>\$ 3,894,038</u>	<u>\$ (13,230)</u>	<u>\$ -</u>	<u>\$ 3,880,808</u>

STAGES THEATRE COMPANY
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

Stages Theatre Company and Campaign Fund								
	Program (Production)	Program (Education)	Program (O & A)	Management and General	Fundraising	Total	CPT Services (Program)	Total
Salaries	\$ 648,393	\$ 661,809	\$ 4,252	\$ 252,105	\$ 62,780	\$ 1,629,339	\$ 6,256	\$ 1,635,595
Payroll Taxes	49,848	50,632	325	16,050	4,803	121,658	479	122,137
Employee Benefits	25,177	25,179	-	33,787	3,079	87,222	50	87,272
Subtotal	723,418	737,620	4,577	301,942	70,662	1,838,219	6,785	1,845,004
Occupancy	67,346	68,739	442	13,963	4,654	155,144	-	155,144
Professional Services	64,728	18,563	119	134,042	1,861	219,313	7,615	226,928
Supplies	68,853	14,995	941	6,193	11,613	102,595	-	102,595
Marketing and Advertising	28,801	11,305	73	36,781	-	76,960	-	76,960
Depreciation and Amortization	10,588	10,807	69	4,117	1,025	26,606	-	26,606
Printing and Copying	22,006	22,461	144	4,562	1,521	50,694	-	50,694
Contract Labor	78,249	8,775	5,650	1,600	963	95,237	-	95,237
Credit Card Processing Fees	-	-	-	93,549	-	93,549	-	93,549
Telephone and Internet	5,357	5,468	35	2,083	519	13,462	-	13,462
Insurance	7,271	7,421	48	2,827	704	18,271	-	18,271
Royalty Expense	103,905	4,397	-	-	-	108,302	-	108,302
Postage	7,000	7,144	46	2,722	678	17,590	-	17,590
Dues, Subscriptions, and Memberships	5,378	5,489	35	2,091	521	13,514	-	13,514
Travel	11,082	2,392	749	243	-	14,466	-	14,466
Equipment Rental and Maintenance	1,777	-	66	2,855	1,078	5,776	-	5,776
Meetings	7,377	7,530	48	2,868	714	18,537	-	18,537
Miscellaneous	5,825	5,954	40	2,270	564	14,653	226	14,879
Subtotal	495,543	201,440	8,505	312,766	26,415	1,044,669	7,841	1,052,510
Total Expenses by Function	\$ 1,218,961	\$ 939,060	\$ 13,082	\$ 614,708	\$ 97,077	\$ 2,882,888	\$ 14,626	\$ 2,897,514

