

SMOKESTACK THEATRE COMPANY

FINANCIAL REPORT
(Reviewed)

DECEMBER 31, 2025

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Trustees
Smokestack Theatre Company
Danville, Virginia

We have reviewed the accompanying financial statements of Smokestack Theatre Company (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Smokestack Theatre Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We previously reviewed Smokestack Theatre Company's 2024 financial statements and in our conclusion dated April 7, 2025, stated that based on our review, we were not aware of any material modifications that should be made to the 2024 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2024, for it to be consistent with the reviewed financial statements from which it has been derived.

Harris Harvey Neal & Co. LLP

Danville, Virginia
May 5, 2026

SMOKESTACK THEATRE COMPANY

STATEMENT OF FINANCIAL POSITION

December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

See Independent Accountants' Review Report

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,628	\$ 5,234
Inventory	5,726	6,375
Total current assets	<u>12,354</u>	<u>11,609</u>
OTHER ASSETS		
Property and equipment (net)	33,754	34,409
RIGHT OF USE ASSET		
	<u>102,983</u>	<u>47,882</u>
Total assets	<u>\$ 149,091</u>	<u>\$ 93,900</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Deferred revenue	\$ 25,000	\$ 3,742
Current portion of lease liabilities-operating	35,986	25,359
Total current liabilities	<u>60,986</u>	<u>29,101</u>
LONG-TERM LIABILITIES		
Lease liabilities-operating, less current portion	62,984	24,344
Total liabilities	<u>62,984</u>	<u>24,344</u>
NET ASSETS		
Without donor restrictions	25,121	40,154
With donor restrictions	-	301
Total net assets	<u>25,121</u>	<u>40,455</u>
Total liabilities and net assets	<u>\$ 149,091</u>	<u>\$ 93,900</u>

The accompanying notes are an integral part of the financial statements.

SMOKESTACK THEATRE COMPANY

STATEMENT OF ACTIVITIES
Year Ended December 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)
See Independent Accountants' Review Report

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support:				
Contributions	\$ 20,893	\$ -	\$ 20,893	\$ 15,497
Grant income	-	50,766	50,766	63,841
Sponsorships	32,886	-	32,886	37,528
Admissions and performance fees	26,062	-	26,062	29,019
Concessions and merchandise income	11,924	-	11,924	10,354
Rental fees	387	-	387	1,023
Interest income	-	-	-	7
Total revenues and support	<u>92,152</u>	<u>50,766</u>	<u>142,918</u>	<u>157,269</u>
Net assets released from restrictions:				
Satisfaction of restrictions	<u>51,067</u>	<u>(51,067)</u>	<u>-</u>	<u>-</u>
Total revenues, grants, and other support	<u>143,219</u>	<u>(301)</u>	<u>142,918</u>	<u>157,269</u>
Expenses:				
Program services	<u>120,325</u>	<u>-</u>	<u>120,325</u>	<u>120,079</u>
Total program services	<u>120,325</u>	<u>-</u>	<u>120,325</u>	<u>120,079</u>
Supporting services:				
Management and general	32,516	-	32,516	33,686
Fundraising	<u>5,411</u>	<u>-</u>	<u>5,411</u>	<u>2,805</u>
Total supporting services	<u>37,927</u>	<u>-</u>	<u>37,927</u>	<u>36,491</u>
Total expenses	<u>158,252</u>	<u>-</u>	<u>158,252</u>	<u>156,570</u>
Change in net assets	(15,033)	(301)	(15,334)	699
Net assets, beginning	<u>40,154</u>	<u>301</u>	<u>40,455</u>	<u>39,756</u>
Net assets, ending	<u>\$ 25,121</u>	<u>\$ -</u>	<u>\$ 25,121</u>	<u>\$ 40,455</u>

The accompanying notes are an integral part of the financial statements.

SMOKESTACK THEATRE COMPANY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

See Independent Accountants' Review Report

	Support Services				Totals	
	Program Services	Management and General		Fundraising		
		2025	2024			
Salaries and wages	\$ 44,030	\$ 11,008	\$ -	\$ 11,008	\$ 55,038	\$ 31,500
Payroll taxes	3,402	850	-	850	4,252	2,452
Total salaries and related benefits expenses	47,432	11,858	-	11,858	59,290	33,952
Outside services and consultants	3,680	920	-	920	4,600	31,900
Physical production	40,091	-	-	-	40,091	36,102
Lease expense	17,965	7,699	-	7,699	25,664	26,433
Fundraising	-	-	5,411	5,411	5,411	2,805
Insurance	-	2,175	-	2,175	2,175	1,621
Office supplies	-	2,569	-	2,569	2,569	3,664
Professional fees	-	4,583	-	4,583	4,583	4,617
Utilities	4,048	1,735	-	1,735	5,783	6,074
Marketing and events costs	3,200	-	-	-	3,200	5,091
Miscellaneous	-	-	-	-	-	2
	116,416	31,539	5,411	36,950	153,366	152,261
Depreciation	3,909	977	-	977	4,886	4,309
Total expenses as presented on Statement of Activities and Changes in Net Assets	<u>\$ 120,325</u>	<u>\$ 32,516</u>	<u>\$ 5,411</u>	<u>\$ 37,927</u>	<u>\$ 158,252</u>	<u>\$ 156,570</u>

The accompanying notes are an integral part of the financial statements.

SMOKESTACK THEATRE COMPANY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

See Independent Accountants' Review Report

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (15,334)	\$ 699
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,886	4,309
(Gain)/loss from ROU asset remeasurement	(5,834)	507
Decrease in accounts receivable	-	1,594
Decrease in prepaid expenses	-	2,777
Decrease (increase) in inventory	649	(87)
(Decrease) in accounts payable	-	(555)
Increase (decrease) in deferred revenue	21,258	(32,540)
Net cash provided by (used in) operating activities	5,625	(23,296)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,231)	(7,446)
Net cash (used in) investing activities	(4,231)	(7,446)
Net increase (decrease) in cash and cash equivalents	1,394	(30,742)
Cash and cash equivalents:		
Beginning	5,234	35,976
Ending	\$ 6,628	\$ 5,234
SUPPLEMENTAL DISCLOSURES		
Schedule of non-cash investing transactions:		
Cash paid for interest	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

SMOKESTACK THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of activities:

Smokestack Theatre Company (the “Organization”) is a nonprofit corporation formed in 2018, for the purpose of creating quality, exciting, and transformative theatre for the cultural enrichment of the Danville, Pittsylvania County, Virginia and the surrounding region.

Accounts and grants receivable:

Accounts receivable represent the amount receivable for corporate sponsorships. When accounts and grants are deemed uncollectible, they are charged against the allowance for doubtful accounts. Management considers all accounts, if any, to be collectible and, accordingly, has not provided an allowance for uncollectible accounts.

Income tax status:

The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

As of February 5, 2019, the Organization was approved by the IRS to be classified as a 509(a)(1) supported charity under Section 170(b)(1)(A)(vi).

Basis of accounting:

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

Basis of presentation:

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are subject to donor-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, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and are not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

SMOKESTACK THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and cash equivalents:

Cash and cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less.

Revenue recognition:

The Organization accounts for contributions in accordance with the recommendations of authoritative U. S. accounting and reporting standards under which the Organization is required to record contributions received as with or without restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a time restriction ends or purpose restriction is accomplished), 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. When the restriction expires in the same year the contribution is received, it is the policy of the Organization to report the contribution as without donor restricted support.

Contributions of cash or other assets are recognized when the cash is received or when ownership of donated assets is transferred to the Organization. Donated assets are recorded at their estimated fair values on the date of donation. Unconditional promises to give are recorded as made. Contributed support is with or without restrictions depending upon the existence of donor restrictions that limit the use of the support.

Revenue from Contracts with Customers - The Organization accounts for admissions and subscriptions income, rental fee income, education income, concession and merchandise income as exchange transactions in the statements of activities. Revenue from contracts with customers is treated as revenues without donor restrictions. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities and recorded as advance admissions and subscriptions in the statements of financial position.

SMOKESTACK THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Contributed services:

Contributed services are recognized if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Property and equipment:

Property and equipment acquisitions are recorded at cost or fair value when received. Depreciation is provided over the useful life of each class of depreciable assets and is computed using the straight-line method. It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor restrictions regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Leases:

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position. The Organization had no finance leases during 2025 and 2024.

Lease liabilities are recognized at the present value of the fixed lease payments, using a discount rate based on the risk-free rate. Right-of-use ("ROU") assets are recognized based on the initial present value of the fixed lease payments plus any costs from executing the lease. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

SMOKESTACK THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Presentation of sales tax:

The Commonwealth of Virginia imposes a sales tax of 6.3% for 2025 and 2024 on all of the Organization's sales to nonexempt customers. The Organization collects the sales tax from the customers and remits the entire amount to the state. The Organization's accounting policy is to include the tax collected and remitted to the Commonwealth with the revenues and costs of sales.

Functional allocation of expenses:

The cost of providing Organization programs and the administration of the Organization has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between program services, general and administrative, and fundraising.

Advertising:

Advertising costs are expensed when incurred.

Inventory:

Inventory is stated at moving average cost.

Use of estimates:

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

New Accounting Pronouncements Adopted in the Prior Year:

In February 2016, the Financial Accounting Standards Board issued an Accounting Standards Update amending the accounting for leases. The Organization adopted the new standard on January 1, 2023, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. Upon adoption, the Organization recognized \$71,947 in right-of-use ("ROU") assets related to its leased property. Corresponding lease liabilities of \$73,260 were also recognized in the statements of financial position.

SMOKESTACK THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Net assets without donor restrictions:

Net assets without donor restrictions are not subject to donor-imposed stipulations. Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net assets without donor restrictions are divided into two categories:

Operating funds are funds with neither donor-imposed restrictions nor board or management-imposed limitations on use.

Designated funds, if any, are funds on which the Board of Directors or management has placed purpose or time-related spending limitations.

Net assets with donor restrictions:

Net assets with donor restrictions are subject to donor-imposed stipulations restricting their use. These stipulations may limit use to a particular purpose or until after the passage of a specified period of time, or both. A time limitation may also be implied by the nature of the gift, or by interpretations of law

Net assets with donor restrictions include gifts, unconditional promises to give (pledges), if any, and income which can be expended but for which a restriction has not yet been met. Expirations of such restrictions, that is, the donor-imposed purpose having been accomplished and/or the stipulated time period having elapsed, are reported as net assets released from restrictions between the applicable classes of net assets.

Net assets with donor restrictions also include the historical dollar amount of gifts (including unconditional promises to give, if any).

Comparative data:

Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the Organization's financial position and operations. Also, in some instances amounts presented in the prior year data may be reclassified in order to be consistent with current year's presentation. Net assets and changes in net assets are unchanged by these reclassifications.

SMOKESTACK THEATRE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 2. Property and Equipment

Major classes of property and equipment consist of the following at December 31, 2025 and 2024:

	2025	2024
Furniture and equipment	\$ 39,511	\$ 35,280
Leasehold improvements	6,500	6,500
	46,011	41,780
Less: accumulated depreciation	12,257	7,371
	\$ 33,754	\$ 34,409

For the years ended December 31, 2025 and 2024, depreciation expense totaled \$4,886 and \$4,309, respectively.

Note 3. Net Assets

The amounts included as net assets as of December 31, 2025 and 2024, consist of the following:

	2025	2024
Amounts held for future operations	\$ (8,633)	\$ 5,745
Investment in land, buildings, and equipment	33,754	34,409
Without donor restrictions	\$ 25,121	\$ 40,154
Youth production expenses	\$ -	\$ 301
With donor restrictions	\$ -	\$ 301

Note 4. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of such date.

	2025	2024
Financial assets, at year end:		
Cash and cash equivalents without restrictions	\$ 6,628	\$ 5,234
Financial assets available to meet cash needs for general expenditure within one year	\$ 6,628	\$ 5,234

SMOKESTACK THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 5. Leases

As disclosed in Note 1, the Board adopted FASB ASC 842 as of January 1, 2023. As of December 31, 2025 and 2024, the Organization had two operating leases and zero finance leases.

Additional information about the Organization's leases is as follows:

Lease expense	2025
Finance lease expense	
Amortization of ROU assets	\$ -
Interest on lease liabilities	-
Operating lease expense	25,664
Short-term lease expense *	-
Variable lease expense	-
Sublease income *	-
Total	\$ 25,664

Other Information

(Gains) losses on sale-leaseback transactions, net *	
Cash paid for amounts included in the measurement of lease liabilities	-
Operating cash flows from operating leases	\$ 31,498
ROU assets obtained in exchange for new operating lease liabilities	\$ 112,939
Weighted-average remaining lease term in years for operating leases	4.50
Weighted-average discount rate for operating leases	3.84%

Maturity Analysis

	Operating
2026-12	\$ 39,040
2027-12	40,602
2028-12	24,228
Total undiscounted cash flows	103,870
Less: present value discount	(4,900)
Total lease liabilities	\$ 98,970

SMOKESTACK THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 6. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, outside services, leases and utilities, which are allocated on the basis of estimates of time and effort.

Note 7. Subsequent Events

Management has evaluated subsequent events through May 5, 2026, the date which the financial statements were available for issue.