

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

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Independent Auditor's Report

**To the Board of Trustees
A Contemporary Theatre, Inc. and Affiliates
Seattle, Washington**

Opinion

We have audited the consolidated financial statements of A Contemporary Theatre, Inc. and Affiliates (collectively, the Theatre), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities without donor restrictions, changes in net assets, functional expenses, and cash flows for the years ended June 30, 2024 and 2023, and the related consolidated notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Theatre as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Theatre 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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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 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 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 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 the Theatre'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 the Theatre'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 Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 22 through 25 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber PS

Certified Public Accountants
January 29, 2025

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Financial Position June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets:		
Cash and cash equivalents	\$ 75,788	\$ 1,318,006
Accounts and interest receivable	1,110	14,451
Current portion of pledges receivable, net	638,562	801,487
Prepaid expenses and deposits	87,140	155,925
Total Current Assets	802,600	2,289,869
Long-term pledges receivable, net	595,685	121,359
Investments	2,463,712	2,381,828
Property and equipment, net	9,900,795	10,298,825
Financing lease, right-of-use asset	62,222	84,625
Total Assets	\$ 13,825,014	\$ 15,176,506
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 235,414	\$ 442,448
Accrued expenses	336,317	248,621
Advance ticket sales and gift certificates	572,548	416,648
Line of credit	416,482	
Current portion of financing lease liability	22,605	21,314
Total Current Liabilities	1,583,366	1,129,031
Deferred revenue	286,415	309,329
Financing lease liability, net of current portion	43,527	66,132
Total Liabilities	1,913,308	1,504,492
Net Assets:		
Without donor restrictions	9,266,464	11,019,779
With donor restrictions	2,645,242	2,652,235
Total Net Assets	11,911,706	13,672,014
Total Liabilities and Net Assets	\$ 13,825,014	\$ 15,176,506

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Activities Without Donor Restrictions For the Years June 30, 2024 and 2023

	2024	2023
Revenue and Support:		
Subscriptions and single tickets	\$ 1,703,001	\$ 1,226,261
Historic theatre and handling fees	448,609	325,912
Contribution revenue	1,972,747	2,844,286
Contributions released from restriction	791,449	242,747
Government grants	5,571	83,533
Paycheck Protection Program loan forgiven		695,144
In-kind contributions	43,400	30,000
Other revenue	205,918	354,389
Total Revenue and Support	5,170,695	5,802,272
Expenses:		
Production	3,365,691	3,221,643
Audience	1,099,048	1,126,920
Development	603,519	453,441
Administration	1,189,530	848,014
Total Expenses	6,257,788	5,650,018
Change in Net Assets Without Donor Restrictions Before Depreciation	(1,087,093)	152,254
Depreciation	666,222	572,024
Change in Net Assets Without Donor Restrictions	\$ (1,753,315)	\$ (419,770)

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Changes in Net Assets For the Years Ended June 30, 2024 and 2023

	2024	2023
Activities Without Donor Restrictions		
Revenue and support	\$ 4,379,246	\$ 5,559,525
Contributions released from restriction	791,449	242,747
Expenses	<u>(6,924,010)</u>	<u>(6,222,042)</u>
Change in Net Assets Without Donor Restrictions	(1,753,315)	(419,770)
Activities With Donor Restrictions		
Contributions	505,394	58,066
Endowment investment return	279,062	201,360
Contributions released from restriction	<u>(791,449)</u>	<u>(242,747)</u>
Change in Net Assets With Donor Restrictions	<u>(6,993)</u>	<u>16,679</u>
Total Change in Net Assets	(1,760,308)	(403,091)
Net assets, beginning of year	<u>13,672,014</u>	<u>14,075,105</u>
Net Assets, End of Year	<u><u>\$ 11,911,706</u></u>	<u><u>\$ 13,672,014</u></u>

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024**

	<u>Production</u>	<u>Audience</u>	<u>Total Program</u>	<u>Development</u>	<u>Administration</u>	<u>2024 Total</u>
Salaries and wages	\$ 1,831,988	\$ 547,290	\$ 2,379,278	\$ 325,854	\$ 245,869	\$ 2,951,001
Professional services	6,455	62,627	69,082	125,486	587,801	782,369
Benefits	516,228	119,930	636,158	66,340	40,559	743,057
Fees, insurance, permits, taxes, miscellaneous	162,775	104,568	267,343	46,804	188,371	502,518
Facilities	347,999		347,999		4,820	352,819
Guest artists	228,768		228,768	11,311	186	240,265
Other expenses	9,621	68,811	78,432	25,223	119,495	223,150
Advertising		195,423	195,423			195,423
Supplies and materials	175,122	399	175,521	2,501	2,429	180,451
Royalties and playwrights	86,735		86,735			86,735
Expenses before depreciation	3,365,691	1,099,048	4,464,739	603,519	1,189,530	6,257,788
Depreciation	349,117	114,698	463,815	61,440	140,967	666,222
Total Functional Expenses	\$ 3,714,808	\$ 1,213,746	\$ 4,928,554	\$ 664,959	\$ 1,330,497	\$ 6,924,010

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023**

	<u>Production</u>	<u>Audience</u>	<u>Total Program</u>	<u>Development</u>	<u>Administration</u>	<u>2023 Total</u>
Salaries and wages	\$ 1,768,823	\$ 558,102	\$ 2,326,925	\$ 284,266	\$ 352,253	\$ 2,963,444
Benefits	529,269	120,980	650,249	59,595	48,630	758,474
Fees, insurance, permits, taxes, miscellaneous	84,393	81,444	165,837	65,860	170,825	402,522
Facilities	350,246		350,246		388	350,634
Professional services	3,921	144,655	148,576	23,613	177,439	349,628
Guest artists	248,785	360	249,145	7,433	108	256,686
Supplies and materials	174,732	17,051	191,783	1,368	4,109	197,260
Advertising		170,098	170,098			170,098
Other expenses	6,331	34,230	40,561	11,306	94,262	146,129
Royalties and playwrights	55,143		55,143			55,143
Expenses before depreciation	3,221,643	1,126,920	4,348,563	453,441	848,014	5,650,018
Depreciation	515,851	42,190	558,041		13,983	572,024
Total Functional Expenses	\$ 3,737,494	\$ 1,169,110	\$ 4,906,604	\$ 453,441	\$ 861,997	\$ 6,222,042

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Cash Flows For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	\$ (1,760,308)	\$ (403,091)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Depreciation	666,222	572,024
Financing lease, right-of-use asset amortization	22,403	21,679
Realized and unrealized gains on investments	(242,305)	(167,810)
Contributions restricted for capital projects and endowment	(505,394)	(31,066)
Paycheck Protection Program loans forgiven		(695,144)
Change in operating accounts:		
Accounts and interest receivable	13,341	431,489
Pledges receivable	163,364	40,368
Prepaid expenses and deposits	68,785	(108,225)
Accounts payable	(207,034)	327,020
Accrued expenses	87,696	43,825
Advance ticket sales and gift certificates	155,900	206,455
Deferred revenue	(22,914)	(22,925)
Financing lease, right-of-use asset	4,558	5,478
Net Cash (Used in) Provided by Operating Activities	(1,555,686)	220,077
Cash Flows From Investing Activities:		
Purchase of property and equipment	(268,192)	(502,434)
Proceeds from sale of investments	721,349	708,561
Purchase of investments	(560,928)	(628,477)
Net Cash Used in Investing Activities	(107,771)	(422,350)
Cash Flows From Financing Activities:		
Payments on Paycheck Protection Program loan		(171,419)
Principal payments on financing lease	(25,872)	(25,036)
Cash received from capital and endowment contributions	30,629	7,066
Proceeds from line of credit	1,138,439	
Payments on line of credit	(721,957)	
Net Cash Provided by (Used in) Financing Activities	421,239	(189,389)
Net Change in Cash and Cash Equivalents	(1,242,218)	(391,662)
Cash and cash equivalents, beginning of year	1,318,006	1,709,668
Cash and Cash Equivalents, End of Year	\$ 75,788	\$ 1,318,006
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 3,324	\$ 2,016

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 1 - Organization and Significant Accounting Policies

Organization - A Contemporary Theatre, Inc. (ACT) was incorporated in 1965 for artistic, cultural, and educational purposes. ACT's main operation is the presentation of staged performances for the purpose of entertainment.

Eagles Theatre Centre (ETC), a separate Washington nonprofit corporation, was formed in 1994 to manage the development and construction of Kreielsheimer Place, the Theatre's performance and administrative facility in downtown Seattle, Washington. The only activity in ETC is the management of Kreielsheimer Place.

A Contemporary Theatre Foundation (the Foundation), a Washington nonprofit corporation, was formed in October 2000 to receive and invest donations for the benefit of the Theatre and for the management of an endowment.

Principles of Consolidation - ACT, ETC and the Foundation (collectively, the Theatre) have some common board members and common management. Additionally, ACT is the sole corporate member of ETC. The Foundation's bylaws require that its governing board include three current officers of the ACT board and no fewer than two members who are either at-large members of ACT's board or ACT advisory board members and at least one non-affiliated board member. Accordingly, the results of ACT, ETC and the Foundation have been consolidated. All significant intercompany transactions have been eliminated upon consolidation.

Basis of Presentation - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Theatre and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. 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 stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Theatre has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 1 - Continued

Leases - The Theatre determines if an arrangement contains a lease at inception. Operating leases are included in right-of-use assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Theatre's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Theatre's leases do not provide an implicit rate of return; thus, the Theatre uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs and excludes lease incentives. The Theatre has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Theatre will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less, or when total lease payments are less than \$20,000 per year.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 those estimates.

Cash and Cash Equivalents - The Theatre considers cash and cash equivalents to include all highly liquid investments purchased with an original maturity of three months or less.

Revenue Recognition -

Subscription and Single Tickets - The Theatre presents theatre performances and earns revenue from ticket sales. Tickets are sold in subscription packages and as single tickets and are generally purchased by customers in advance of the performances. Tickets sold are non-refundable. The Theatre's performance obligation for each ticket is to provide a seat at the applicable performance. Revenue from subscription packages and single tickets are recognized at the time the performance occurs.

Contribution Revenue - The Theatre recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. There were no conditional contributions as of June 30, 2024. There were \$539,000 conditional contributions as of June 30, 2023. Contribution amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. The Theatre does not consider recognizing a donor for a specific play or season to be a donor restriction.

The Theatre uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible pledges as of June 30, 2024 and June 30, 2023.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 1 - Continued

Investments - Investments in certificates of deposit and money markets are carried at cost plus accrued interest. Investments in stocks, exchange traded funds, REITs and bonds are carried at fair value. Interest and dividends are included in investment return as earned.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably probable that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Property and Equipment - The Theatre's property and equipment are stated at cost if purchased, or fair value on the date of receipt if contributed. All property and equipment over \$1,000 are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years.

Advance Ticket Sales - Advance ticket sales for future performances are accrued and reported as a liability and are recognized as revenue when performances are completed.

Financial Instruments and Credit Risk Concentration - Financial instruments that potentially subject the Theatre to concentrations of credit risk consist of cash and cash equivalents and pledges receivable. The Theatre places its temporary cash deposits with one major financial institution. At times, balances may exceed federally insured limits. The Theatre has not experienced a credit loss associated with cash investments.

Concentrations - At June 30, 2024 and June 30, 2023, 50% and 44%, respectively of the Theatre's employees including actors, theatrical stage workers and musicians are represented by unions with multi-year collective bargaining agreements which expire in 2025.

At June 30, 2024 and June 30, 2023, 66% and 67%, respectively of the Theatre's pledges receivable were from two grantors.

Donated Services and Materials - The Theatre receives various donated auction items, catering, marketing, materials and services that contribute to the annual gala and the Theatre's operations. Certain professional services and materials have been recorded at their estimated fair value at the date of receipt. For the years ended June 30, 2024 and 2023, donated services and materials equaled \$43,400 and \$30,000, respectively.

In addition to those services and materials that have been recorded, a substantial number of volunteers have made significant contributions of time to the Theatre. The value of this contributed time does not meet the criteria for recognition under U.S. GAAP and, accordingly, is not reflected in the accompanying consolidated financial statements.

Advertising - The Theatre expenses advertising costs as they are incurred. Total advertising expense for the years ended June 30, 2024 and June 30, 2023 was \$195,423 and \$170,098, respectively.

Federal Income Taxes - The Internal Revenue Service has notified ACT, ETC and the Foundation that they are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 1 - Continued

Allocation of Functional Expenses - Expenses consist of the costs related to providing artistic and production, audience development and services, development, and administration functions. Depreciation is allocated based on a percent of expenses basis. All other costs are directly charged to the function they benefit.

Note 2 - Pledges Receivable

Pledges receivable consisted of the following:

	2024	2023
Receivables due in less than one year	\$ 1,143,956	\$ 801,487
Receivables due in two to five years	100,000	125,000
	1,243,956	926,487
Less present value discount of 3%	(9,709)	(3,641)
Total Pledges Receivable, Net	<u>\$ 1,234,247</u>	<u>\$ 922,846</u>

Pledges restricted for the purchase of long term assets are presented as long-term pledges receivable on the consolidated statement of financial position.

Note 3 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value:

Stocks, Exchange Traded Funds, Real Estate Investment Trusts (REITs) and US Treasuries - Valued at the closing price reported on the active market on which the securities are traded.

Bonds - Valued using bid evaluations from similar instruments in actively traded markets.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 3 - Continued

The valuation methodologies used by the Theatre may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Theatre believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Total investments and fair values of assets measured on a recurring basis were as follows:

	Fair Value Measurements as of June 30, 2024		
	Level 1	Level 2	Total
Stocks	\$ 1,027,155	\$ -	\$ 1,027,155
Exchange traded funds	462,053		462,053
REITs	24,615		24,615
US Treasuries	73,514		73,514
Bonds		783,330	783,330
Total Investments at Fair Value	\$ 1,587,337	\$ 783,330	2,370,667
Investments valued at cost-			
Certificate of deposit held at bank			55,839
Money market funds			37,206
Total Investments			\$ 2,463,712

	Fair Value Measurements as of June 30, 2023		
	Level 1	Level 2	Total
Stocks	\$ 937,841	\$ -	\$ 937,841
Exchange traded funds	464,636		464,636
REITs	33,791		33,791
US Treasuries	71,493		71,493
Bonds		749,038	749,038
Total Investments at Fair Value	\$ 1,507,761	\$ 749,038	2,256,799
Investments valued at cost-			
Certificate of deposit held at bank			53,016
Money market funds			72,013
Total Investments			\$ 2,381,828

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 3 - Continued

Investment return was as follows:

	2024	2023
Interest and dividends	\$ 53,435	\$ 49,288
Realized and unrealized gains	242,302	167,807
Fees	(16,675)	(15,735)
	<u><u>\$ 279,062</u></u>	<u><u>\$ 201,360</u></u>

Note 4 - Property and Equipment

Property and equipment consisted of the following:

	2024	2023
Building and improvements	\$ 14,032,666	\$ 13,433,061
Land	2,411,188	2,411,188
Theatre equipment	1,508,879	1,501,989
Theatre furnishings and lights	179,795	179,795
Office and other equipment	792,378	769,752
Box office and development software	392,360	392,360
Construction in progress	22,627	383,556
Non-depreciable piano	35,000	35,000
Automobile	10,000	10,000
	<u>19,384,893</u>	<u>19,116,701</u>
Less accumulated depreciation	<u>(9,484,098)</u>	<u>(8,817,876)</u>
Total Property and Equipment, Net	<u><u>\$ 9,900,795</u></u>	<u><u>\$ 10,298,825</u></u>

The Theatre's building is subject to various legal restrictions on its use.

The Theatre's building is a part of a condominium. The Theatre is a member in the condominium association that maintains certain common spaces that benefit the Theatre and the owner of the other unit in the condominium.

Note 5 - Deferred Revenue

During 1995, the Theatre received approximately \$917,000 from the City of Seattle in exchange for certain public benefits. The City of Seattle has rights to use certain facilities in Kreielsheimer Place up to 15 times each year for a 40-year period. The amount received is amortized over the term of the obligation on a straight-line basis in the amount of \$22,915 per year.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 6 - Line of Credit

The Theatre has a revolving line of credit with available borrowings up to \$1,770,000, secured by the Foundation's investments. As of June 30, 2023, interest on the line of credit was equal to prime plus 0.5% and amended to prime plus 0.25% as of June 30, 2024 (8.75% at June 30, 2024 and June 30, 2023) and the line of credit matures June 30, 2025. Line of credit balance outstanding at June 30, 2024 was \$416,482. There was no balance outstanding at June 30, 2023.

Total interest expense for the years ended June 30, 2024 and 2023 was \$3,324 and \$2,016, respectively.

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Subject to the passage of time or expenditure for specified purpose-		
Restoration and renovation	\$ -	\$ 24,000
Time	225,000	277,000
Purpose	<u>22,629</u>	<u>31,629</u>
Total subject to the passage of time or expenditure for specified purpose	247,629	332,629
Endowment funds-		
Original gifts and required retained earnings (corpus)	2,325,558	2,325,558
Accumulated earnings (deficit) on endowment	<u>72,055</u>	<u>(5,952)</u>
Total endowment funds	<u>2,397,613</u>	<u>2,319,606</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,645,242</u>	<u>\$ 2,652,235</u>

Note 8 - Endowment Funds

The Theatre's endowment is donor-restricted to support the Theatre's operations. As required by U.S. GAAP, net assets associated with a donor restricted endowment is classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Theatre has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, the Theatre classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 8 - Continued

In accordance with PMIFA, the Theatre 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 the Theatre and the donor restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Theatre; and
- The investment policies of the Theatre.

Changes to endowment net assets are as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 2,319,606	\$ 2,232,030
Endowment investment return, net	279,062	201,360
Contributions		7,066
Appropriation of endowment for expenditure	(200,000)	(120,000)
Other Foundation expenses	<u>(1,055)</u>	<u>(850)</u>
Endowment Net Assets, End of Year	<u>\$ 2,397,613</u>	<u>\$ 2,319,606</u>

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Theatre to retain as a fund of perpetual duration. These deficiencies generally result from unfavorable market fluctuations and continued appropriation that was deemed prudent by the Board of Trustees. At June 30, 2024 no such deficiencies of this nature existed. At June 30, 2023 deficiencies of this nature existed, which included an original gift value of \$2,325,558 current fair value of \$2,319,605 and a deficit of \$5,953.

Return Objectives and Risk Parameters - The Theatre 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 principal of the endowment assets. Endowment assets include those assets of donor restricted funds that the Theatre must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to preserve the principal. The Theatre expects its endowment funds, over time, to provide an average rate of return of approximately 3.0% over the rate of inflation annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - The Theatre relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends). The Theatre targets a safe asset allocation that places a greater emphasis on endowment preservation.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 8 - Continued

Policy for Appropriating Endowment Assets for Expenditure - Income of the endowment shall be distributed at least annually and used exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. Any principal funds which have not been restricted by the donors, testators or transferors, may be expended, pledged, or offered as security.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Theatre's spending policy is outlined in the Foundation's bylaws. Income distributable annually to the Theatre from the Foundation is defined as a percentage, within a range of three to five (3 - 5) percent, multiplied by the average value of the Foundation's investment portfolio for the twelve (12) calendar quarters preceding the date of distribution. The percentage used for distribution is approved annually by the Board of Directors.

Note 9 - Collective Bargaining Agreements

The Theatre has several multi-year collective bargaining agreements with specific union locals that cover the work of their stage crews, costume shop and wardrobe, scenic painters, musicians and ushers. They also participate in three national labor agreements covering the work of their actors and stage managers, directors, and designers. All of these agreements include specific stipulations covering working conditions, wage rates and benefit percentages including health and welfare and pension. These agreements have various ending dates through 2025 and 2027. These relationships are core to the Theatre's ability to produce theatre, and management works closely with union representatives throughout the contract periods to facilitate timely renewal of all contracts.

Note 10 - Liquidity and Availability of Financial Assets

The Theatre's working capital and cash flows have seasonal variations during the year attributable primarily to the annual cash receipts for subscriptions and a concentration of contributions and single ticket revenue received near calendar year end. To manage liquidity the Theatre maintains a line of credit of \$1.77 million with a bank that is drawn upon as needed during the year to manage cash flow. See Note 6 for further description of this line.

Management regularly monitors the Theatre's liquidity to ensure that sufficient financial assets are available to meet general expenditures, liabilities, and other obligations as they come due. The Theatre is committed to maintaining adequate liquid assets to ensure availability of resources to meet operational needs.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 10 - Continued

The following reflects the Theatre's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	2024	2023
Cash and cash equivalents	\$ 75,788	\$ 1,318,006
Accounts and interest receivable, to be collected in less than one year	1,110	14,451
Pledges receivable, net, to be collected in less than one year and endowment pledges	638,562	801,487
Investments	<u>2,463,712</u>	<u>2,381,828</u>
Total financial assets, excluding noncurrent receivables	3,179,172	4,515,772
Less financial assets unavailable for general expenditures-		
Endowment fund investments	(2,407,874)	(2,328,812)
Pledges with donor purpose restrictions to be collected in less than one year	(505,394)	(30,628)
Actors Union Bond	<u>(55,839)</u>	<u>(53,016)</u>
Total financial assets unavailable for general expenditures	<u>(2,969,107)</u>	<u>(2,412,456)</u>
Total financial assets available for general expenditure within one year	<u>210,065</u>	<u>2,103,316</u>
Available balance on line of credit	<u>1,053,518</u>	<u>1,470,000</u>
Total Financial Assets and Line of Credit Available for General Expenditure Within One Year	<u>\$ 1,263,583</u>	<u>\$ 3,573,316</u>

Note 11 - Federal COVID-Relief Funding

The following reflects the federal COVID-19 relief funding presented in the consolidated statements of activities for the years ended June 30:

	2024	2023
Paycheck Protection Program loan forgiveness	\$ -	\$ 695,144
Employee Retention Tax Credits		<u>36,538</u>
Total Federal COVID-Relief Funding	<u>\$ -</u>	<u>\$ 731,682</u>

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 11 - Continued

Paycheck Protection Program - In response to COVID-19, the U.S. Congress passed the CARES Act, which included the Paycheck Protection Program (PPP) to provide loans to small businesses and not-for-profits for eligible expenses. The Theatre obtained two PPP loans: \$835,536 on April 9, 2020, and \$867,383 on March 18, 2022. During the year ending June 30, 2022, \$812,341 of the first loan was forgiven, with \$39,279 repaid. During the year ending June 30, 2023, \$695,144 of the second loan was forgiven, with \$185,225 repaid.

Employee Retention Tax Credit (ERTC) - In response to the COVID-19 pandemic, the U.S. Congress passed the CARES Act. Included in the CARES Act was the ERTC to encourage businesses and not-for-profit organizations impacted by COVID-19 to keep employees on their payroll. The ERTC is a refundable tax credit computed based on wages paid by the Theatre. The Theatre's accounting policy for the ERTC is to record revenue when the tax returns indicating refundable tax credits are filed. Total ERTC revenue recognized during the year ended June 30, 2023, was \$36,538. No ERTC revenue was recognized during the year ended June 30, 2024.

Note 12 - Leases

The Theatre leases two copiers under noncancelable financing leases with monthly payments of \$1,320 and \$836 which expire during calendar year 2027.

The components of lease expense are as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Finance lease costs-		
Amortization of right-of-use asset	\$ 22,404	\$ 21,679
Interest on finance lease liabilities	4,558	5,478
Short-term and other lease costs	<u>6,051</u>	<u>6,120</u>
Total Leasing Expense	<u>\$ 33,013</u>	<u>\$ 33,277</u>

Supplemental cash flow information related to leases is as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in measurement of lease liabilities - financing	\$ 25,872	\$ 25,036
Weighted average remaining lease term	2.8	3.8
Weighted average discount rate	6.0%	6.0%

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

Note 12 - Continued

Future minimum lease payments in effect are as follows:

For the Year Ending June 30,

2025	\$	25,872
2026		25,872
2027		19,272
2028		<u>836</u>
Total undiscounted cash flows		71,852
Less present value discount		<u>(5,720)</u>
Total Lease Liability	\$	<u>66,132</u>

Note 13 - Subsequent Event

The Theatre evaluated subsequent events through January 29, 2025, which is the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements, nor have any events occurred, the nature of which would require disclosure, except as noted below.

Subsequent to year end, on January 29, 2025, the Board of Trustees of the Theatre and the Board of Trustees of Seattle Shakespeare Company (SCC) approved a resolution to merge SCC into the Theatre effective July 1, 2025, under the new name Union Arts Center.

SUPPLEMENTARY INFORMATION

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Financial Position June 30, 2024

	ACT	ETC	Foundation	Consolidated Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 75,607	\$ 181	\$ -	\$ 75,788
Accounts and interest receivable	1,110			1,110
Current portion of pledges receivable	638,562			638,562
Prepaid expenses and deposits	87,140			87,140
Total Current Assets	802,419	181		802,600
Long-term pledges receivable, net	595,685			595,685
Investments	55,838		2,407,874	2,463,712
Property and equipment, net	1,328,663	8,572,132		9,900,795
Interorganization receivables (payables)	171,083	(161,877)	(9,206)	
Financing lease, right-of-use asset	62,222			62,222
Total Assets	\$ 3,015,910	\$ 8,410,436	\$ 2,398,668	\$ 13,825,014
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 233,304	\$ 1,055	\$ 1,055	\$ 235,414
Accrued expenses	336,317			336,317
Advance ticket sales and gift certificates	572,548			572,548
Line of credit	416,482			416,482
Current portion of financing lease liability	22,605			22,605
Total Current Liabilities	1,581,256	1,055	1,055	1,583,366
Deferred revenue	286,415			286,415
Financing lease liability, net of current portion	43,527			43,527
Total Liabilities	1,911,198	1,055	1,055	1,913,308
Net Assets:				
Without donor restrictions	857,083	8,409,381		9,266,464
With donor restrictions	247,629		2,397,613	2,645,242
Total Net Assets	1,104,712	8,409,381	2,397,613	11,911,706
Total Liabilities and Net Assets	\$ 3,015,910	\$ 8,410,436	\$ 2,398,668	\$ 13,825,014

See independent auditor's report.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Financial Position June 30, 2023

	ACT	ETC	Foundation	Consolidated Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 1,317,825	\$ 181	\$ -	\$ 1,318,006
Accounts and interest receivable	14,451			14,451
Current portion of pledges receivable, net	801,487			801,487
Prepaid expenses and deposits	155,925			155,925
Total Current Assets	2,289,688	181		2,289,869
Long-term pledges receivable, net	121,359			121,359
Investments	53,016		2,328,812	2,381,828
Property and equipment, net	1,223,759	9,075,066		10,298,825
Interorganization receivables (payables)	170,089	(160,883)	(9,206)	
Financing lease, right-of-use asset	84,625			84,625
Total Assets	\$ 3,942,536	\$ 8,914,364	\$ 2,319,606	\$ 15,176,506
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 441,454	\$ 994	\$ -	\$ 442,448
Accrued expenses	248,621			248,621
Advance ticket sales and gift certificates	416,648			416,648
Current portion of financing lease liability	21,314			21,314
Total Current Liabilities	1,128,037	994		1,129,031
Deferred revenue	309,329			309,329
Financing lease liability, net of current portion	66,132			66,132
Total Liabilities	1,503,498	994		1,504,492
Net Assets:				
Without donor restrictions	2,106,409	8,913,370		11,019,779
With donor restrictions	332,629		2,319,606	2,652,235
Total Net Assets	2,439,038	8,913,370	2,319,606	13,672,014
Total Liabilities and Net Assets	\$ 3,942,536	\$ 8,914,364	\$ 2,319,606	\$ 15,176,506

See independent auditor's report.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2024

	ACT	ETC	Foundation	Eliminating Entries	Consolidated Total
Activities Without Donor Restrictions					
Revenue and Support:					
Subscriptions and single tickets	\$ 1,703,001	\$ -	\$ -	\$ -	\$ 1,703,001
Historic theatre and handling fees	448,609				448,609
Contribution revenue	2,172,747			(200,000)	1,972,747
Contributions released from restriction	590,394		201,055		791,449
Government grants	5,571				5,571
In-kind contributions	43,400				43,400
Other revenue	205,918				205,918
Total Revenue and Support	5,169,640		201,055	(200,000)	5,170,695
Expenses:					
Artistic and production	3,365,691		200,000	(200,000)	3,365,691
Audience development and services	1,099,048				1,099,048
Development	603,519				603,519
Administration	1,187,420	1,055	1,055		1,189,530
Total Expenses	6,255,678	1,055	201,055	(200,000)	6,257,788
Change in Net Assets Without Donor Restrictions Before Depreciation	(1,086,038)	(1,055)			(1,087,093)
Depreciation	163,288	502,934			666,222
Change in Net Assets Without Donor Restrictions	(1,249,326)	(503,989)			(1,753,315)
Activities With Donor Restrictions					
Contributions	505,394				505,394
Endowment investment return			279,062		279,062
Contributions released from restriction	(590,394)		(201,055)		(791,449)
Change in Net Assets With Donor Restrictions	(85,000)		78,007		(6,993)
Total Change in Net Assets	(1,334,326)	(503,989)	78,007		(1,760,308)
Net assets, beginning of year	2,439,038	8,913,370	2,319,606		13,672,014
Net Assets, End of Year	\$ 1,104,712	\$ 8,409,381	\$ 2,397,613	\$ -	\$ 11,911,706

See independent auditor's report.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2023

	ACT	ETC	Foundation	Eliminating Entries	Consolidated Total
Activities Without Donor Restrictions					
Revenue and Support:					
Subscriptions and single tickets	\$ 1,226,261	\$ -	\$ -	\$ -	\$ 1,226,261
Historic theatre and handling fees	325,912				325,912
Contribution revenue	2,964,286			(120,000)	2,844,286
Contributions released from restriction	121,897		120,850		242,747
Government Grants	83,533				83,533
Paycheck Protection Program loan forgiven	695,144				695,144
In-kind contributions	30,000				30,000
Other revenue	354,389				354,389
Total Revenue and Support	5,801,422		120,850	(120,000)	5,802,272
Expenses:					
Artistic and production	3,221,643		120,000	(120,000)	3,221,643
Audience development and services	1,126,920				1,126,920
Development	453,441				453,441
Administration	843,382	3,782	850		848,014
Total Expenses	5,645,386	3,782	120,850	(120,000)	5,650,018
Change in Net Assets Without Donor Restrictions Before Depreciation	156,036	(3,782)			152,254
Depreciation	69,090	502,934			572,024
Change in Net Assets Without Donor Restrictions	86,946	(506,716)			(419,770)
Activities With Donor Restrictions					
Contributions	51,000		7,066		58,066
Endowment investment return			201,360		201,360
Contributions released from restriction	(121,897)		(120,850)		(242,747)
Change in Net Assets With Donor Restrictions	(70,897)		87,576		16,679
Total Change in Net Assets	16,049	(506,716)	87,576		(403,091)
Net assets, beginning of year	2,422,989	9,420,086	2,232,030		14,075,105
Net Assets, End of Year	\$ 2,439,038	\$ 8,913,370	\$ 2,319,606	\$ -	\$ 13,672,014

See independent auditor's report.