

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Financial Statements

For the Years Ended June 30, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

555 110th Ave NE
Suite 700
Bellevue, WA
98004

clarknuber.com

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 21 through 24 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
February 25, 2026

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Consolidated Statements of Financial Position
June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,560	\$ 75,788
Accounts and interest receivable	114	1,110
Current portion of pledges receivable, net	224,947	638,562
Prepaid expenses and deposits	<u>50,770</u>	<u>87,140</u>
Total Current Assets	281,391	802,600
Long-term pledges receivable, net		595,685
Investments	2,674,526	2,463,712
Property and equipment, net	9,246,412	9,900,795
Financing lease, right-of-use asset	<u>39,817</u>	<u>62,222</u>
Total Assets	<u>\$ 12,242,146</u>	<u>\$ 13,825,014</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 540,370	\$ 235,414
Accrued expenses	280,132	336,317
Advance ticket sales and gift certificates	546,914	572,548
Line of credit	1,687,119	416,482
Notes payable	250,000	
Current portion of deferred revenue	22,915	22,915
Current portion of financing lease liability	<u>23,961</u>	<u>22,605</u>
Total Current Liabilities	3,351,411	1,606,281
Deferred revenue, net of current portion	240,585	263,500
Financing lease liability, net of current portion	<u>19,566</u>	<u>43,527</u>
Total Liabilities	3,611,562	1,913,308
Net Assets:		
Without donor restrictions	6,101,941	9,266,464
With donor restrictions	<u>2,528,643</u>	<u>2,645,242</u>
Total Net Assets	<u>8,630,584</u>	<u>11,911,706</u>
Total Liabilities and Net Assets	<u>\$ 12,242,146</u>	<u>\$ 13,825,014</u>

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Consolidated Statements of Activities Without Donor Restrictions
For the Years June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Revenue and Support:		
Subscriptions and single tickets	\$ 2,016,019	\$ 1,703,001
Historic theatre and handling fees	438,450	448,609
Contribution revenue	2,164,512	1,972,747
Contributions released from restriction	219,714	791,449
Government grants		5,571
In-kind contributions	6,000	43,400
Other revenue	195,850	205,918
	<u>5,040,545</u>	<u>5,170,695</u>
Total Revenue and Support	5,040,545	5,170,695
Expenses:		
Production	3,889,379	3,306,576
Audience	1,393,347	1,217,979
Development	544,972	642,746
Administration	1,533,312	1,068,084
	<u>7,361,010</u>	<u>6,235,385</u>
Total Expenses	7,361,010	6,235,385
Change in Net Assets Without Donor Restrictions Before Depreciation and Losses	(2,320,465)	(1,064,690)
Depreciation and amortization	696,895	688,625
Loss on uncollectible pledges	147,163	
	<u>844,058</u>	
Change in Net Assets Without Donor Restrictions	<u>\$ (3,164,523)</u>	<u>\$ (1,753,315)</u>

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Consolidated Statements of Changes in Net Assets
For the Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Activities Without Donor Restrictions		
Revenue and support	\$ 4,820,831	\$ 4,379,246
Contributions released from restriction	219,714	791,449
Expenses	<u>(8,205,068)</u>	<u>(6,924,010)</u>
Change in Net Assets Without Donor Restrictions	(3,164,523)	(1,753,315)
Activities With Donor Restrictions		
Contributions	25,000	505,394
Endowment investment return	228,115	279,062
Loss on uncollectible pledges	(150,000)	
Contributions released from restriction	<u>(219,714)</u>	<u>(791,449)</u>
Change in Net Assets With Donor Restrictions	(116,599)	(6,993)
Total Change in Net Assets	(3,281,122)	(1,760,308)
Net assets, beginning of year	<u>11,911,706</u>	<u>13,672,014</u>
Net Assets, End of Year	<u>\$ 8,630,584</u>	<u>\$ 11,911,706</u>

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2025**

	Production	Audience	Total Program	Development	Administration	2025 Total
Salaries and wages	\$ 1,977,615	\$ 536,986	\$ 2,514,601	\$ 281,958	\$ 662,140	\$ 3,458,699
Professional services	16,590	140,553	157,143	47,160	367,434	571,737
Benefits	594,196	112,586	706,782	65,469	169,689	941,940
Fees, insurance, permits, taxes, miscellaneous	206,458	152,338	358,796	88,977	227,342	675,115
Facilities	451,273	90,255	541,528	30,085	30,159	601,772
Guest artists	250,032		250,032	3,318		253,350
Other expenses	103,993	115,571	219,564	27,060	38,896	285,520
Advertising		244,054	244,054	945		244,999
Supplies and materials	176,314	1,004	177,318		37,652	214,970
Royalties and playwrights	112,908		112,908			112,908
Expenses before depreciation	3,889,379	1,393,347	5,282,726	544,972	1,533,312	7,361,010
Depreciation and amortization	348,447	139,379	487,826	69,689	139,380	696,895
Total Functional Expenses	\$ 4,237,826	\$ 1,532,726	\$ 5,770,552	\$ 614,661	\$ 1,672,692	\$ 8,057,905

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

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

	Production	Audience	Total Program	Development	Administration	2024 Total
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	161,903	138,191	300,094	54,589	125,432	480,115
Facilities	264,682	52,882	317,564	17,627	17,627	352,818
Guest artists	228,768		228,768	11,311	186	240,265
Other expenses	34,695	101,237	135,932	39,038	48,181	223,151
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	3,306,576	1,217,979	4,524,555	642,746	1,068,084	6,235,385
Depreciation and amortization	349,117	114,698	463,815	61,440	163,370	688,625
Total Functional Expenses	\$ 3,655,693	\$ 1,332,677	\$ 4,988,370	\$ 704,186	\$ 1,231,454	\$ 6,924,010

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

**Consolidated Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (3,281,122)	\$ (1,760,308)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Depreciation	674,490	666,222
Financing lease, right-of-use asset amortization	22,405	22,403
Realized and unrealized gains on investments	(190,564)	(242,305)
Contributions restricted for capital projects and endowment		(505,394)
Change in operating accounts:		
Accounts and interest receivable	996	13,341
Pledges receivable	1,009,300	163,364
Prepaid expenses and deposits	36,370	68,785
Accounts payable	304,956	(207,034)
Accrued expenses	(56,185)	87,696
Advance ticket sales and gift certificates	(25,634)	155,900
Deferred revenue	(22,915)	(22,914)
Financing lease, right-of-use asset	3,267	4,558
Net Cash Used in Operating Activities	(1,524,636)	(1,555,686)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(20,107)	(268,192)
Proceeds from sale of investments	441,170	721,349
Purchase of investments	(461,420)	(560,928)
Net Cash Used in Investing Activities	(40,357)	(107,771)
Cash Flows From Financing Activities:		
Principal payments on financing lease	(25,872)	(25,872)
Cash received from capital and endowment contributions		30,629
Proceeds on notes payable	250,000	
Proceeds from line of credit	5,329,974	1,138,439
Payments on line of credit	(4,059,337)	(721,957)
Net Cash Provided by Financing Activities	1,494,765	421,239
Net Change in Cash and Cash Equivalents	(70,228)	(1,242,218)
Cash and cash equivalents, beginning of year	75,788	1,318,006
Cash and Cash Equivalents, End of Year	\$ 5,560	\$ 75,788
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 88,661	\$ 7,882

See accompanying notes.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2025 and 2024

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, 2025 and 2024

Note 1 - Continued

Leases - The Theatre determines if an arrangement contains a lease at inception. Operating leases are included in right-of-use assets (ROU) 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 unrecognized conditional contributions as of June 30, 2025 and 2024. 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, 2025 and 2024.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2025 and 2024

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 \$5,000 are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from five 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, 2025 and 2024, 59% and 50%, 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 2028.

At June 30, 2025 and 2024, 100% and 66%, 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, 2025 and 2024, donated services and materials equaled \$6,000 and \$43,400, 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, 2025 and 2024, as \$245,000 and \$195,423, 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, 2025 and 2024

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.

Reclassification - Certain reclassifications have been made to prior year accounts to conform to the presentation in the current year financial statements. The reclassifications have no effect on the previously reported change in net assets or net asset balances.

Note 2 - Pledges Receivable

Pledges receivable consisted of the following:

	<u>2025</u>	<u>2024</u>
Receivables due in less than one year	\$ 224,947	\$ 1,143,956
Receivables due in two to five years		<u>100,000</u>
	224,947	1,243,956
Less present value discount of 3%		<u>(9,709)</u>
Total Pledges Receivable, Net	<u>\$ 224,947</u>	<u>\$ 1,234,247</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.

The 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, 2025 and 2024

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, 2025		
	Level 1	Level 2	Total
Stocks	\$ 1,094,996	\$ -	\$ 1,094,996
Exchange traded funds	495,686		495,686
REITs	23,235		23,235
US Treasuries	60,819		60,819
Bonds		728,713	728,713
Total Investments at Fair Value	\$ 1,674,736	\$ 728,713	2,403,449
Investments valued at cost-			
Certificate of deposit held at bank			39,150
Money market funds			231,927
Total Investments			\$ 2,674,526

	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

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2025 and 2024

Note 3 - Continued

Investment return was as follows:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 54,759	\$ 53,435
Realized and unrealized gains	190,740	242,302
Fees	<u>(17,384)</u>	<u>(16,675)</u>
	<u>\$ 228,115</u>	<u>\$ 279,062</u>

Note 4 - Property and Equipment

Property and equipment consisted of the following:

	<u>2025</u>	<u>2024</u>
Building and improvements	\$ 14,082,290	\$ 14,032,666
Land	2,411,188	2,411,188
Theatre equipment	1,501,989	1,508,879
Theatre furnishings and lights	179,795	179,795
Office and other equipment	792,378	792,378
Box office and development software	392,360	392,360
Construction in progress		22,627
Non-depreciable piano	35,000	35,000
Automobile	<u>10,000</u>	<u>10,000</u>
	19,405,000	19,384,893
Less accumulated depreciation	<u>(10,158,588)</u>	<u>(9,484,098)</u>
Total Property and Equipment, Net	<u>\$ 9,246,412</u>	<u>\$ 9,900,795</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, 2025 and 2024

Note 6 - Line of Credit and Notes Payable

The Theatre has a revolving line of credit with available borrowings up to \$1,770,000, secured by the Foundation's investments. Interest on the line of credit is equal to prime plus 0.25% (7.75% at June 30, 2025 and 8.75% at June 30, 2024) and the line of credit matures February 28, 2026. The Theatre continues to work with Commerce Bank on the line of credit renewal. Line of credit balance outstanding at June 30, 2025 and 2024 was \$1,687,119 and \$416,482, respectively.

The Theatre entered into two note payable agreements during 2025. The first is a \$50,000 unsecured note payable to a board member, bearing interest at 7% per annum and due August 1, 2025. The second is a \$200,000 unsecured note payable to Seattle Shakespeare Company, bearing interest at 1% per annum (12% upon default), and due on the earlier of June 30, 2025 or receipt of specified grant proceeds. Subsequent to year end both loans were paid in full.

Note 7 - Net Assets With Donor Restrictions

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

	<u>2025</u>	<u>2024</u>
Subject to the passage of time or expenditure for specified purpose-		
Time	\$ -	\$ 225,000
Purpose	<u>25,000</u>	<u>22,629</u>
Total subject to the passage of time or expenditure for specified purpose	25,000	247,629
Endowment funds-		
Original gifts (corpus)	2,325,558	2,325,558
Accumulated earnings on endowment	<u>178,085</u>	<u>72,055</u>
Total endowment funds	<u>2,503,643</u>	<u>2,397,613</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,528,643</u>	<u>\$ 2,645,242</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.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2025 and 2024

Note 8 - Continued

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.

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 were as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Endowment net assets, beginning of year	\$ 2,397,613	\$ 2,319,606
Endowment investment return, net	228,115	279,062
Appropriation of endowment for expenditure	(120,000)	(200,000)
Other Foundation expenses	<u>(2,085)</u>	<u>(1,055)</u>
Endowment Net Assets, End of Year	<u>\$ 2,503,643</u>	<u>\$ 2,397,613</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, 2025 and 2024, no such deficiencies of this nature existed.

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.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2025 and 2024

Note 8 - Continued

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.

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, 2025 and 2024

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.

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 5,560	\$ 75,788
Accounts and interest receivable, to be collected in less than one year	114	1,110
Pledges receivable	224,947	1,234,247
Investments	<u>2,674,526</u>	<u>2,463,712</u>
Total financial assets	2,905,147	3,774,857
Less financial assets unavailable for general expenditures-		
Endowment fund investments	(2,503,643)	(2,397,613)
Net assets with donor restrictions	(25,000)	(247,629)
Actors Union Bond	<u>(39,150)</u>	<u>(55,839)</u>
Total financial assets unavailable for general expenditures	<u>(2,567,793)</u>	<u>(2,701,081)</u>
Total financial assets available for general expenditure within one year	<u>337,354</u>	<u>1,073,776</u>
Available balance on line of credit	<u>82,883</u>	<u>1,053,518</u>
Total Financial Assets and Line of Credit Available for General Expenditure Within One Year	<u>\$ 420,237</u>	<u>\$ 2,127,294</u>

Note 11 - 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 were as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Finance lease costs-		
Amortization of right-of-use asset	\$ 22,405	\$ 22,404
Interest on finance lease liabilities	3,267	4,558
Short-term and other lease costs	<u>2,885</u>	<u>6,051</u>
Total Leasing Expense	<u>\$ 28,557</u>	<u>\$ 33,013</u>

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements For the Years Ended June 30, 2025 and 2024

Note 11 - Continued

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in measurement of lease liabilities - financing	\$ 25,872	\$ 25,872
Weighted average remaining lease term	1.8	2.8
Weighted average discount rate	6.0%	6.0%

Future minimum lease payments in effect are as follows:

For the Year Ending June 30,

2026	\$ 25,872
2027	19,272
2028	<u>836</u>
Total undiscounted cash flows	45,980
Less present value discount	<u>(2,453)</u>
Total Lease Liability	<u><u>\$ 43,527</u></u>

Note 12 - Subsequent Event

The Theatre evaluated subsequent events through February 25, 2026, 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, Seattle Shakespeare Company (SCC) merged 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, 2025**

	ACT	ETC	Foundation	Consolidated Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 5,393	\$ 167	\$ -	\$ 5,560
Accounts and interest receivable	114			114
Current portion of pledges receivable	224,947			224,947
Prepaid expenses and deposits	50,770			50,770
Total Current Assets	281,224	167		281,391
Investments	38,523		2,636,003	2,674,526
Property and equipment, net	1,177,214	8,069,198		9,246,412
Interorganization receivables (payables)	295,803	(164,237)	(131,566)	
Financing lease, right-of-use asset	39,817			39,817
Total Assets	\$ 1,832,581	\$ 7,905,128	\$ 2,504,437	\$12,242,146
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable	\$ 539,576	\$ -	\$ 794	\$ 540,370
Accrued expenses	280,132			280,132
Advance ticket sales and gift certificates	546,914			546,914
Line of credit	1,687,119			1,687,119
Notes payable	250,000			250,000
Current portion of deferred revenue	22,915			22,915
Current portion of financing lease liability	23,961			23,961
Total Current Liabilities	3,350,617		794	3,351,411
Deferred revenue, net current portion	240,585			240,585
Financing lease liability, net of current portion	19,566			19,566
Total Liabilities	3,610,768		794	3,611,562
Net Assets:				
Without donor restrictions	(1,803,187)	7,905,128		6,101,941
With donor restrictions	25,000		2,503,643	2,528,643
Total Net Assets	(1,778,187)	7,905,128	2,503,643	8,630,584
Total Liabilities and Net Assets	\$ 1,832,581	\$ 7,905,128	\$ 2,504,437	\$12,242,146

See independent auditor's report.

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, net	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 deferred revenue	22,915			22,915
Current portion of financing lease liability	22,605			22,605
Total Current Liabilities	1,604,171	1,055	1,055	1,606,281
Deferred revenue, net current portion	263,500			263,500
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 Activities and Changes in Net Assets For the Year Ended June 30, 2025

	ACT	ETC	Foundation	Eliminating Entries	Consolidated Total
Activities Without Donor Restrictions					
Revenue and Support:					
Subscriptions and single tickets	\$ 2,016,019	\$ -	\$ -	\$ -	\$ 2,016,019
Historic theatre and handling fees	438,450				438,450
Contribution revenue	2,284,512			(120,000)	2,164,512
Contributions released from restriction	97,629		122,085		219,714
In-kind contributions	6,000				6,000
Other revenue	195,850				195,850
Total Revenue and Support	5,038,460		122,085	(120,000)	5,040,545
Expenses:					
Production	3,889,379		120,000	(120,000)	3,889,379
Audience	1,393,347				1,393,347
Development	544,972				544,972
Administration	1,529,908	1,319	2,085		1,533,312
Total Expenses	7,357,606	1,319	122,085	(120,000)	7,361,010
Change in Net Assets Without Donor Restrictions Before Depreciation and Losses	(2,319,146)	(1,319)			(2,320,465)
Depreciation and amortization	193,961	502,934			696,895
Loss on uncollectible pledges	147,163				147,163
Change in Net Assets Without Donor Restrictions	(2,660,270)	(504,253)			(3,164,523)
Activities With Donor Restrictions					
Contributions	25,000				25,000
Endowment investment return			228,115		228,115
Loss on uncollectible pledges	(150,000)				(150,000)
Contributions released from restriction	(97,629)		(122,085)		(219,714)
Change in Net Assets With Donor Restrictions	(222,629)		106,030		(116,599)
Total Change in Net Assets	(2,882,899)	(504,253)	106,030		(3,281,122)
Net assets, beginning of year	1,104,712	8,409,381	2,397,613		11,911,706
Net Assets, End of Year	\$ (1,778,187)	\$ 7,905,128	\$ 2,503,643	\$ -	\$ 8,630,584

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:					
Production	3,306,576		200,000	(200,000)	3,306,576
Audience	1,217,979				1,217,979
Development	642,746				642,746
Administration	1,065,974	1,055	1,055		1,068,084
Total Expenses	6,233,275	1,055	201,055	(200,000)	6,235,385
Change in Net Assets Without Donor Restrictions Before Depreciation	(1,063,635)	(1,055)			(1,064,690)
Depreciation and amortization	185,691	502,934			688,625
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.