

Zeiterion Theatre, Inc.

Financial Statements and Additional Information (with Independent Auditors' Report Thereon)

September 30, 2023 and 2022



Allan Smith & Company, CPAs PC

ZEITERION THEATRE, INC.

Financial Statements

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Independent Auditors' Report

To the Board of Directors
Zeiterion Theatre, Inc.
New Bedford, Massachusetts

Report on the audit of the financial statements:

Opinion:

We have audited the accompanying financial statements of the Zeiterion Theatre, Inc. (a Massachusetts not-for-profit organization) (hereinafter "Organization") which comprise the statements of financial position as of September 30, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2023 and 2022 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 opinions.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' responsibilities for the audit of the financial statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization'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.

To the Board of Directors
Zeiterion Theatre, Inc.
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Other reporting required by Government Auditing Standards:

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Allan Smith and Company CPAs PC". The signature is written in a cursive, flowing style.

Allan Smith and Company, CPAs PC
Stoughton, Massachusetts
September 17, 2024

ZEITERION THEATRE, INC.**Statements of Financial Position****September 30, 2023 and 2022**

	September 30,	
<u>Assets:</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 1,114,061	\$ 1,064,322
Restricted cash for programs	92,136	72,400
Accounts receivable, net of allowance for uncollectible accounts of \$1,000	93,192	87,040
Prepaid expenses and other assets	205,995	850,247
Pledges receivable net, current	25,000	77,500
Total current assets	1,530,384	2,151,509
Long-term assets:		
Property and equipment, net	1,409,693	695,533
Pledges receivable, net of current portion	67,136	4,751
Restricted cash for capital campaign	7,107,261	4,920,235
Total long-term assets	8,584,090	5,620,519
Total assets	\$ 10,114,474	\$ 7,772,028
<u>Liabilities and Net Assets:</u>		
Current liabilities:		
Accounts payable	\$ 168,742	\$ 55,565
Accrued expenses	92,256	123,743
Deferred revenue	311,878	663,813
Note payable, line-of-credit	18,695	18,695
Current portion of right-of-use assets payable - operating leases	3,487	-
Total current liabilities	595,058	861,816
Long-term liabilities:		
Right-of-use assets payable - operating leases, net of current portion	14,475	-
Total long-term liabilities	14,475	-
Total liabilities	609,533	861,816
Net assets:		
Without donor restrictions	2,305,544	1,917,577
With donor restrictions	7,199,397	4,992,635
Total net assets	9,504,941	6,910,212
Total liabilities and net assets	\$ 10,114,474	\$ 7,772,028

See accompanying notes to financial statements.

ZEITERION THEATRE, INC.

Statement of Activities

Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operations:</u>			
Revenues and other support:			
Admissions revenue	\$ 1,734,583	\$ -	\$ 1,734,583
Contributions, grants, and other funding sources:			
Private foundation support	156,165	69,200	225,365
Corporate sponsor support	61,350	-	61,350
Individual support	272,824	-	272,824
Memberships	44,250	-	44,250
Concessions and advertising sales	156,446	-	156,446
Rental income	260,201	-	260,201
Facility management fee	210,000	-	210,000
Government support	282,984	-	282,984
Other revenue and support	81,564	-	81,564
Total revenues and other support	3,260,367	69,200	3,329,567
Operational net assets released from restrictions	127,900	(127,900)	-
Expenses:			
Program services:			
Center presentations	2,957,828	-	2,957,828
Hall rental operations	187,560	-	187,560
Educational programs	232,944	-	232,944
Total program services	3,378,332	-	3,378,332
General and administration	338,321	-	338,321
Fundraising	177,147	-	177,147
Total expenses	3,893,800	-	3,893,800
Change in net assets from operations	(505,533)	(58,700)	(564,233)
<u>Other non-operational activities:</u>			
Contributions for capital purposes and related expenses:			
Capital campaign revenues	-	3,199,021	3,199,021
Capital campaign expenses	(40,059)	-	(40,059)
Net contributions for capital purposes and related expenses	(40,059)	3,199,021	3,158,962
Non-operational net assets released from restrictions	933,559	(933,559)	-
Change in net assets from non-operational activities	893,500	2,265,462	3,158,962
Change in net assets	387,967	2,206,762	2,594,729
Net assets, beginning of year	1,917,577	4,992,635	6,910,212
Net assets, end of year	\$ 2,305,544	\$ 7,199,397	\$ 9,504,941

See accompanying notes to financial statements.

ZEITERION THEATRE, INC.

Statement of Activities

Year Ended September 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Operations:</u>			
Revenues and other support:			
Admissions revenue	\$ 1,341,478	\$ -	\$ 1,341,478
Contribution of nonfinancial assets	25,356	-	25,356
Contributions, grants, and other funding sources:			
Private foundation support	169,100	67,400	236,500
Corporate sponsor support	72,500	-	72,500
Individual support	264,999	-	264,999
Memberships	72,266	-	72,266
Concessions and advertising sales	149,219	-	149,219
Rental income	237,777	-	237,777
Facility management fee	210,000	-	210,000
Government pandemic support	1,026,471	-	1,026,471
Other revenue and support	8,541	-	8,541
Total revenues and other support	3,577,707	67,400	3,645,107
Operational net assets released from restrictions	18,250	(18,250)	-
Expenses:			
Program services:			
Center presentations	2,675,574	-	2,675,574
Hall rental operations	168,401	-	168,401
Educational programs	217,386	-	217,386
Total program services	3,061,361	-	3,061,361
General and administration	223,535	-	223,535
Fundraising	140,523	-	140,523
Total expenses	3,425,419	-	3,425,419
Change in net assets from operations	170,538	49,150	219,688
<u>Other non-operational activities:</u>			
Contributions for capital purposes and related expenses:			
Capital campaign revenues	-	2,307,272	2,307,272
Capital campaign expenses	(33,209)	-	(33,209)
Net contributions for capital purposes and related expenses	(33,209)	2,307,272	2,274,063
Non-operational net assets released from restrictions	310,900	(310,900)	-
Change in net assets from non-operational activities	277,691	1,996,372	2,274,063
Change in net assets	448,229	2,045,522	2,493,751
Net assets, beginning of year	1,469,348	2,947,113	4,416,461
Net assets, end of year	\$ 1,917,577	\$ 4,992,635	\$ 6,910,212

See accompanying notes to financial statements.

ZEITERION THEATRE, INC.

Statement of Functional Expenses

Year Ended September 30, 2023

	Center Presentations	Hall Rental Operations	Educational Programs	Total Program Services	General and Administration	Fundraising	Total
Payroll and related expenses	\$ 1,010,205	\$ 95,663	\$ 118,623	\$ 1,224,491	\$ 164,541	\$ 141,581	\$ 1,530,613
Artist fees	939,569	13,341	-	952,910	-	-	952,910
Contract labor	287,746	25,481	31,132	344,359	128,676	10,139	483,174
Supplies	159,340	17,939	33,768	211,047	-	-	211,047
Advertising and promotion	98,416	7,404	15,426	121,246	-	2,160	123,406
Transportation and hospitality	102,747	2,440	3,253	108,440	-	-	108,440
Licensing fees and technology	75,696	2,234	2,482	80,412	10,523	8,338	99,273
Bank and credit card fees	72,384	1,825	2,433	76,642	2,839	1,622	81,103
Office including printing	52,089	4,788	5,937	62,814	6,703	7,085	76,602
Concessions	43,582	7,121	6,267	56,970	-	-	56,970
Facility maintenance and operations	23,667	3,037	5,359	32,063	2,769	892	35,724
Insurance	24,175	2,649	2,119	28,943	3,808	366	33,117
Professional, temps and other fees	17,314	734	1,027	19,075	8,657	1,613	29,345
Telephone	15,823	1,545	1,916	19,284	3,152	2,288	24,724
Rental equipment	13,522	-	901	14,423	300	301	15,024
Postage	8,973	374	561	9,908	2,243	311	12,462
Conferences and memberships	7,068	299	448	7,815	1,891	249	9,955
Miscellaneous	5,512	686	1,292	7,490	384	202	8,076
Interest	-	-	-	-	1,835	-	1,835
Total expenses	\$ 2,957,828	\$ 187,560	\$ 232,944	\$ 3,378,332	\$ 338,321	\$ 177,147	\$ 3,893,800

See accompanying notes to financial statements.

ZEITERION THEATRE, INC.

Statement of Functional Expenses

Year Ended September 30, 2022

	<u>Center Presentations</u>	<u>Hall Rental Operations</u>	<u>Educational Programs</u>	<u>Total Program Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related expenses	\$ 757,240	\$ 71,708	\$ 88,918	\$ 917,866	\$ 123,338	\$ 106,128	\$ 1,147,332
Artist fees	792,962	11,259	-	804,221	-	-	804,221
Contract labor	247,968	21,959	26,828	296,755	956	1,052	298,763
Advertising and promotion	167,749	12,621	26,293	206,663	-	3,681	210,344
Professional, temps and other fees	121,008	5,127	7,178	133,313	60,504	11,280	205,097
Supplies	137,974	15,533	29,240	182,747	-	-	182,747
Licensing fees and technology	65,841	1,943	2,159	69,943	9,153	7,253	86,349
Facility maintenance and operations	55,567	7,129	12,581	75,277	6,500	2,097	83,874
Transportation and hospitality	71,551	1,699	2,265	75,515	-	-	75,515
Concessions	49,169	8,034	7,070	64,273	-	-	64,273
Bank and credit card fees	50,668	1,277	1,703	53,648	1,987	1,135	56,770
Insurance	35,507	3,891	3,113	42,511	5,594	535	48,640
Office including printing	28,960	2,662	3,301	34,923	3,726	3,939	42,588
Conferences and memberships	22,964	970	1,455	25,389	6,145	809	32,343
Rental equipment	23,366	-	1,558	24,924	519	519	25,962
Contributed goods and services	24,025	571	761	25,357	-	-	25,357
Telephone	11,707	1,143	1,418	14,268	2,332	1,692	18,292
Postage	6,491	270	406	7,167	1,623	225	9,015
Miscellaneous	4,857	605	1,139	6,601	338	178	7,117
Interest	-	-	-	-	820	-	820
Total expenses	\$ 2,675,574	\$ 168,401	\$ 217,386	\$ 3,061,361	\$ 223,535	\$ 140,523	\$ 3,425,419

See accompanying notes to financial statements.

ZEITERION THEATRE, INC.

Statements of Cash Flows

Year Ended September 30, 2023 and 2022

	Years September 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 2,594,729	\$ 2,493,751
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	43,756	80,672
Contributions restricted for capital campaign	(3,199,021)	(2,307,272)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(6,152)	(53,706)
Prepaid expenses and other assets	644,252	(615,956)
Pledges receivable	(9,885)	(82,251)
Increase (decrease) in liabilities:		
Accounts payable	111,762	22,981
Accrued expenses	(31,487)	39,133
Deferred revenue	(351,935)	(284,739)
Total adjustments	(2,798,710)	(3,201,138)
Net cash used in operating activities	(203,981)	(707,387)
Cash flows from investing activities:		
Use of restricted cash for purchase of property and equipment	(716,353)	(137,168)
Purchase of property and equipment	(22,186)	(108)
Net cash used in investing activities	(738,539)	(137,276)
Cash flows from financing activities:		
Contributions restricted for capital campaign	3,199,021	2,307,272
Net cash provided by financing activities	3,199,021	2,307,272
Net increase in cash and restricted cash	2,256,501	1,462,609
Cash and restricted cash, beginning of year	6,056,957	4,594,348
Cash and restricted cash, end of year	\$ 8,313,458	\$ 6,056,957
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,835	\$ 820
Reconciliation of cash balances:		
Cash	\$ 1,114,061	\$ 1,064,322
Restricted cash	7,199,397	4,992,635
Cash and restricted cash, end of year	\$ 8,313,458	\$ 6,056,957

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies:

Organization and nature of operations:

The Zeiterion Theatre, Inc. (hereinafter “Organization”) is a Massachusetts not-for-profit organization incorporated in 1982. The mission of the Organization is to “entertain, educate, and inspire our community by presenting a diverse array of high-quality performing artists and providing engaging learning opportunities that contribute to the cultural, social, and economic viability of the SouthCoast” of Massachusetts. The Organization recognizes that a performing arts center has the ability to galvanize and transform the community and is committed to serving as a catalyst to energize the City of New Bedford, its citizens, and the region. The Organization aspires to: present a broad range of the highest caliber national and international performing artists and programs that speak to the diversity of cultures and interests in the region; engage and enrich young people and the community’s participation, experience, and understanding of the world, the arts, and creativity; actively participate in the revitalization of downtown New Bedford, Massachusetts; and provide a welcoming home to resident companies and community groups. The Organization derives its revenue and support from ticket sales, annual memberships, individual donors, corporate sponsors, theater facility management fees, private foundations, and public grants.

In fiscal 2019, the Organization embarked on an eighteen million-dollar (\$18MM) capital improvement campaign to renovate the historic theater in New Bedford, Massachusetts which opened in 1923. As of the groundbreaking in July 2024, the projected cost of the project including related professional services is estimated to be thirty-seven million-dollars (\$37MM) because of increased cost of construction. In support of the campaign, a significant portion of the additional funding is anticipated from the securing of federal and Commonwealth of Massachusetts historic tax credits, the Commonwealth of Massachusetts legislative actions, support from the City of New Bedford’s American Rescue Plan Act of 2021 (ARPA) allocation, individual donors, as well as municipal and state bonds. The Organization has secured contributions from individual donors and private foundations totaling more than ten million-dollars (\$10MM) as of the date of issuance of the financial statements.

The Organization’s programs have been categorized as follows:

Center presentations – Performances of ballet, Broadway musicals, jazz, and other events presented directly by the Organization.

Hall rental operations – The use of the theater by outside organizations to present their own performances including the New Bedford Symphony Orchestra, the New Bedford Festival Theatre, and the New Bedford Ballet.

Educational programs – The many arts education activities of the Organization include on stage events which bring children into the theater for the performing arts experience.

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

A summary of significant accounting policies consistently applied in the preparation of the financial statements follows:

Basis of financial reporting:

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (hereinafter “U.S. GAAP”).

Use of estimates and assumptions:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and also the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and assumptions.

Financial statement presentation:

The financial statements are presented in accordance with the reporting principles of not-for-profit accounting. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed (or certain grantor) restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These resources are comprised of public support and program revenues which are available and used for operations and programming. The governing Board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the Board’s discretion.

Net assets with donor restrictions – Net assets which include resources subject to donor-imposed (or certain grantor) restrictions. Some donor-imposed restrictions either expire with the passage of time and/or can be fulfilled and removed by the actions of the Organization to comply with the donor-imposed restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions in the period in which the donor-imposed stipulations are met or the stipulated time restrictions have passed, or both. Resources of this nature originate from contributions, grants, bequests, contracts, and investment income earned on donor restricted funds.

Grants, which are limited to the use of various of the Organization’s programs, are reflected as revenue without donor restrictions if these funds are received and spent during the same year and if they support the activities of the Organization within the limits of the Organization’s articles of organization.

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Financial statement presentation - continued:

Gifts of long-lived assets with explicit restrictions that specify how the donated assets must be used as well as gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions as to how these long-lived assets must be maintained, the Organization reports the expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents:

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments with a maturity of three (3) months or less to be cash equivalents.

Restricted cash:

The Organization receives contribution and grant funds that are restricted in accordance with certain donor's directives. Amounts received in advance of meeting the donor's stipulations are considered restricted cash.

Accounts receivable and uncollectible accounts:

The Organization carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis all accounts receivable greater than ninety (90) days old are considered past due, are evaluated for collectability, and are written off after it is evident that the collection effort has little or no chance of near-term success. Based on this review, the Organization evaluates its accounts receivable and adjusts its allowance for doubtful accounts based on its history of past write-offs, collections, and current economic and credit conditions. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. Accounts receivable is presented net of an allowance for doubtful accounts of \$1,000 at September 30, 2023 and 2022.

Pledges receivable and contributions:

Unconditional promises to give that are expected to be collected within one (1) year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate adjusted for a market risk premium or the credit worthiness of each donor. Amortization of the discounts is recorded as interest income.

The Organization carries its pledges receivable at net present value less an allowance for uncollectible pledges. On a periodic basis all pledges are evaluated for collectability and are written off after it is evident that the collection effort has little or no chance of near-term success. Based on this review, the Organization evaluates its pledges receivable and adjusts its allowance for uncollectible pledges based on its history of past write-offs, donor specific collections, and current economic and credit conditions. It is reasonably possible that the Organization's estimate of the allowance for uncollectible pledges will change.

Contributions of assets other than cash are recorded at their estimated fair market value at the date received.

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Property and equipment:

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts. Property and equipment are recorded as net assets without donor restrictions or net assets with donor restrictions, in the case of donations with time stipulations.

Expenditures that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

The Organization performs an informal capital needs assessment on a routine basis and is responsible only for minor repairs and maintenance that are funded on a pay-as-you-go basis. Currently, the long-lived assets held that are the responsibility of the Organization require no significant scheduled maintenance that has not been contemplated in the long-term capital budgeting process. However, the Organization's program and administrative operations are provided within a facility leased from and owned by the City of New Bedford, Massachusetts. The City of New Bedford has also performed a formal capital needs assessment of the facility and has identified significant repairs and betterments that exceed currently budgeted resources of the City of New Bedford.

Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis. A summary of depreciable lives follows:

Leasehold improvements	5 - 39 years
Furniture, fixtures, and equipment	3 - 10 years

Income taxes:

The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (hereinafter "IRC") and has been determined not to be a private foundation. The Organization is also exempt from Massachusetts income tax. Therefore, no provision for income taxes has been made in the accompanying financial statements. Contributions to the Organization qualify for a federal charitable contribution deduction.

The Organization will file not-for-profit tax returns in the U.S. federal jurisdiction and the Commonwealth of Massachusetts, where they operate and solicit funds. At September 30, 2023 and 2022, the Organization believes that it has no significant uncertain tax positions within any of its open tax years.

Deferred revenue:

Box office receipts, unredeemed gift certificates, and theater rental income attributable to future activities are included in cash and reflected as deferred revenue until earned.

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Operating activities:

Changes in net assets without restrictions are classified as either operating activities or non-operating activities. Non-operating activities include funds released from net assets with donor restrictions to support capital spending, comprehensive campaign activities, the gain or loss on the sale of long-lived assets, and depreciation charges related to capital campaign related long-lived assets. All other activities that are deemed by the administration to be ongoing, major, and central to operations are reported as operating revenues and expenses.

Revenue recognition:

The Organization's significant revenue streams are as follows:

Admissions – The Organization records performance ticket revenues in the period that the performance is scheduled consistent with the contract for service.

Contributions of nonfinancial assets – The Organization recognizes in-kind goods and services revenue at a point in time when contributions of assets other than cash are received. Goods and services received are recorded at their estimated fair value at the date received.

Programs – The Organization recognizes program revenue at an amount that reflects consideration which the Organization expects to be entitled to in exchange for transferring goods or services to the patron. Due to the nature and varying performance obligations of these contracts, the timing and methods of recognizing revenue from these contracts may vary. Revenue may be recognized ratably over time or at a point in time based on the specific contract provisions.

Contributions – The Organization recognizes unconditional contributions as revenues in the period received and they are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Unconditional contributions include promises to give, those that do not include a measurable performance-related or other barrier or those in which the Organization has discretion over how the contribution should be spent. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Organization has limited discretion over how the contribution should be spent, and where there exists a right of return or release of future obligations, are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is when the conditions surrounding the indications of the barrier have been met.

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Revenue recognition - continued:

Government and private grants and contracts – The Organization recognizes revenue from government and private grants and contracts as either exchange transactions (if the resource provider receives commensurate benefit) or conditional contributions. Such revenue is recognized over the period of the performance as qualified allowable costs are incurred. Conditional grant awards, having both the existence of a barrier and right of return to the resource provider, are classified as deferred revenue when received as a cash advance and are recognized as revenue when the Organization has substantially met the conditions of the grant or when the conditions have been explicitly waived by the donor. Government grants and contracts are subject to audit by federal and state agencies. For performance reporting contracts, the grantor pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Organization will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Organization recognizes revenue over time when the performance obligations are met and delivered to the grantor. There are no significant contract assets at September 30, 2023 and 2022.

Membership – The Organization recognizes membership revenue similar to an unconditional contribution to the Organization which is recognized when received. The value of tangible benefits to membership are considered nominal and therefore, are not separately quantified.

Rental income and facility management fee – Rental revenue is attributable to the use of the theater, principally from short-term event space usage, and is recorded on an accrual basis. Facility management fee income for the daily operational management of the performance facility on behalf of the City of New Bedford, Massachusetts is recorded on an accrual basis.

Remaining performance obligations:

The Organization does not disclose the value of unsatisfied performance obligations for contracts with an original contract term of one (1) year or less or for variable consideration allocated to the unsatisfied performance obligation of a series of services. The Organization's remaining performance obligations not subject to the practical expedients were not significant at September 30, 2023 and 2022.

Contributions of non-financial assets:

Contributions of goods and services are recognized when provided by individuals or organizations whose specialized skills would need to be purchased if not provided by donation or would create or enhance long-lived assets. Such skills include professional services. Contributed goods and services are reflected as contributions at their estimated fair market value at date of receipt if an objective basis exists for recording and assigning value to such donations.

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Functional allocation of expenses:

Expenditures incurred in connection with program operations and expenditures made for Organization purposes have been summarized on a functional basis in the Statement of Functional Expenses. The financial statements report certain categories of expenses that are attributed to more than one (1) program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy maintenance, depreciation, and related expenses (which are allocated on a square footage basis) as well as salaries, wages, benefits, payroll taxes, professional services, interest, office expenses, information technology, education programming, performances, memberships, and fundraising and other expenses are allocated on the basis of estimates of time and effort or specific identification to the grant or contract.

Advertising and promotional expense:

The Organization reports advertising and promotional costs as incurred. Advertising and promotional expense for the years ended September 30, 2023 and 2022, totaled \$123,406 and \$210,344, respectively.

Subsequent events:

Subsequent events are transactions or events that occur after the Statement of Financial Position date, but before the financial statements are issued or available to be issued. The Organization has evaluated subsequent events through September 17, 2024 which is the date the financial statements were available to be issued.

2. Pledges receivable:

The capital campaign and the non-current portion of operations pledges receivable as of September 30 are presented as net assets with donor restrictions. These unconditional promises to give are to be received by the Organization for years subsequent to September 30, 2023 and 2022.

The following schedule summarizes pledges receivable as of September 30:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 25,000	\$ 77,500
From one to five years	<u>75,000</u>	<u>5,000</u>
	100,000	82,500
Less discount to net present value	<u>(7,864)</u>	<u>(249)</u>
Net pledges receivable	<u>\$ 92,136</u>	<u>\$ 82,251</u>

ZEITERION THEATRE, INC.

Notes to Financial Statements

2. Pledges receivable - continued:

The following schedule summarizes the breakout of pledges receivable in the Statement of Financial Position as of September 30:

	<u>2023</u>	<u>2022</u>
Current portion of pledges receivable	\$ 25,000	\$ 77,500
Pledges receivable, long-term	<u>67,136</u>	<u>4,751</u>
Total pledges receivable, net	<u>\$ 92,136</u>	<u>\$ 82,251</u>

Pledges receivable are made primarily by individuals and foundations located in Massachusetts and are reflected at the present value of estimated future cash flows using a risk adjusted discount rate of between five point two-five percent (5.25%) and five point seven-five percent (5.75%) at September 30, 2023 and 2022.

3. Property and equipment:

Property and equipment consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
Restoration in progress	\$ 1,307,511	\$ 591,158
Equipment	597,440	575,254
Leasehold improvements	236,392	236,392
Furniture and fixtures	24,609	24,609
Right-of-use lease assets – operating lease	<u>19,377</u>	<u>-</u>
	2,185,329	1,427,413
Less: accumulated depreciation	<u>(775,636)</u>	<u>(731,880)</u>
Property and equipment, net	<u>\$ 1,409,693</u>	<u>\$ 695,533</u>

Depreciation expense for the years ended September 30, 2023 and 2022, was \$43,756 and \$80,672, respectively.

ZEITERION THEATRE, INC.

Notes to Financial Statements

4. Accrued expenses:

Accrued expenses consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
Accrued wages and related taxes	\$ 59,447	\$ 37,334
Other accrued expenses	<u>32,809</u>	<u>86,409</u>
Total accrued expenses	<u>\$ 92,256</u>	<u>\$ 123,743</u>

5. Deferred revenue:

Deferred revenue consisted of the following at September 30:

	<u>2023</u>	<u>2022</u>
Gift certificates	\$ 125,339	\$ 122,315
Advance ticket sales	78,675	380,585
Advance rental and other receipts	<u>107,864</u>	<u>160,913</u>
Total deferred revenue	<u>\$ 311,878</u>	<u>\$ 663,813</u>

6. Note payable – line-of-credit:

The Organization maintains a demand note payable with a financial institution with a maximum line-of-credit availability of \$200,000. The note bears interest at the bank's variable prime lending rate minus one percent (1%) on the outstanding balance (5.25% and 2.25% at September 30, 2023 and 2022, respectively). Substantially all of the assets of the Organization have been pledged as collateral for the demand note payable. The outstanding balance at September 30, 2023 and 2022 was \$18,695. Interest expense for the years ended September 30, 2023 and 2022, totaled \$1,835 and \$820, respectively.

The loan agreement contains a provision whereby the Organization is required to pay down the loan to no more than forty percent (40%) of the available balance for at least thirty (30) days annually.

ZEITERION THEATRE, INC.

Notes to Financial Statements

7. Right-of-use liabilities – operating leases:

The Organization leases office equipment under a sixty-three (63) month operating lease expiring in July 2028. The lease provides for a monthly lease amount of \$337.

The following summarizes the line items in the Statements of Position at September 30:

	<u>2023</u>	<u>2022</u>
Right-of-use assets, net	\$ 17,962	\$ -
Operating lease liabilities, current	\$ 3,487	\$ -
Operating lease liabilities, long-term	<u>14,475</u>	<u>-</u>
Total right-of-use liabilities – operating leases	<u>\$ 17,962</u>	<u>\$ -</u>

	<u>2023</u>	<u>2022</u>
<u>Lease cost:</u>		
Operating lease cost	\$ 1,687	\$ -
<u>Other information:</u>		
Cash paid for amounts included in the measurement of lease liabilities	-	-
Right-of-use assets obtained for new operating lease liabilities	19,377	-
Weighted-average remaining lease for operating leases (in months)	58.00	-
Weighted-average discount rate for operating leases	3.43%	0.00%

The Organization used the effective interest rate as of the date of lease inception based on the terms of the operating lease. The inputs used to value the operating lease are not considered to be significant to the financial statements.

Future minimum lease payments under non-cancelable operating leases as of September 30, 2023:

2024	\$ 4,049
2025	4,049
2026	4,049
2027	4,049
2028	<u>3,321</u>
Total lease payments	19,517
Less: Imputed interest	<u>(1,555)</u>
Total right-of-use liabilities – operating leases	<u>\$ 17,962</u>

ZEITERION THEATRE, INC.

Notes to Financial Statements

8. Net assets with donor restrictions:

The Organization has recognized revenue related to grants and contributions that are restricted as to purpose or the expiration of time. The following is a detail of the nature of the restrictions on net assets at September 30:

	<u>2023</u>	<u>2022</u>
Restricted for capital purposes	\$ 7,099,397	\$ 4,920,235
Restricted for programs	-	67,400
Restricted for time	<u>100,000</u>	<u>5,000</u>
Total net assets with donor restrictions	<u>\$ 7,199,397</u>	<u>\$ 4,992,635</u>

Releases from restrictions consisted of the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Released for capital purposes	\$ 933,559	\$ 310,900
Released for programs	<u>127,900</u>	<u>18,250</u>
Total releases from restrictions	<u>\$ 1,061,459</u>	<u>\$ 329,150</u>

9. Significant federal government pandemic revenue:

The Organization was awarded a Shuttered Venue Operators Grant (hereinafter “SVOG”) during fiscal 2021 under the *Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act* as amended by the *American Rescue Plan Act*. The initial SVOG provided funding totaling \$881,850 and was required to be expended by December 31, 2021. The Organization was also awarded a supplemental SVOG award which provided additional funding of \$579,420 for a total SVOG of \$1,461,270 and extended the date for allowed expenditures under the grant through June 30, 2022. Accordingly, the Organization recognized total government pandemic revenue in the amount of \$1,026,471 during its year ended September 30, 2022.

ZEITERION THEATRE, INC.

Notes to Financial Statements

10. Disaggregation of revenue from contracts:

The following table disaggregates the Organization's revenue based on the timing of satisfaction of performance obligations for the years ended September 30:

	<u>2023</u>	<u>2022</u>
<u>Satisfied over time:</u>		
Memberships	\$ 44,250	\$ 72,266
Facility management fee	210,000	210,000
Miscellaneous earned income	<u>7,400</u>	<u>37</u>
Total revenue from contracts satisfied over time	<u>\$ 261,650</u>	<u>\$ 282,303</u>
 <u>Satisfied at a point in time:</u>		
Admissions revenue	\$ 1,734,583	\$ 1,341,478
Concessions	<u>156,446</u>	<u>149,219</u>
Total revenue from contracts satisfied at a point in time	<u>\$ 1,891,029</u>	<u>\$ 1,490,697</u>

11. Liquidity:

The Organization is substantially supported by performance admissions, corporate event sponsorship, member support, special events, concessions, and advertising revenue. In addition, the Organization receives grants and contributions generally directed by the donor to a particular activity and capital project funding for the ongoing preservation of the arts and cultural facility as well as a regular management fee to oversee the maintenance and operations of the facility. The Organization's performance admissions, corporate event sponsorship, member support, special events, concessions, and advertising revenue streams tends to provide for relatively consistent cash flows during the performance event season. Contributions, annual fund gifts, and foundation support tends to be received near the end of the calendar year during a time of strong cash flows. Cash flow predictability is enhanced as management is able to time the pre-sale of upcoming events to support cash needs. This reasonably aligns with the Organization's expectation that its financial assets, which consist largely of cash and cash equivalents and accounts receivable, will be available to meet its general expenditures, liabilities, and other obligations as they come due. Because of the consistency and timing of its cash flows during the year that tends to be consistent with expected cash requirements as well as management's ability to adjust cash flows as required through advance ticket sales the Organization considers it prudent to only maintain two (2) months cash requirements at all times.

ZEITERION THEATRE, INC.

Notes to Financial Statements

11. Liquidity - continued:

As part of the Organization's management plan to ensure adequate liquidity to provide for routine operations, the Organization maintains a working capital line-of-credit with a maximum availability of \$200,000 to help manage unanticipated liquidity needs. In recent years, the line-of-credit has been largely unutilized as management has successfully managed cash requirements to align with actual cash flows. Further, the Organization has embarked on a capital campaign to preserve and update the arts and cultural facility which has provided significant additional resources; albeit restricted for capital expenditures consistent with donors' intentions.

12. Availability of financial assets:

The Organization's liquid resources available to meet future operational requirements, that is without donor or other restrictions limiting their use, within one (1) year of the Statements of Financial Position as of September 30 comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 8,313,458	\$ 6,056,957
Accounts receivable, current	94,192	88,040
Pledges receivable, current	<u>25,000</u>	<u>77,500</u>
Total financial assets	<u>8,432,650</u>	<u>6,222,497</u>
Less: Donor restricted for purpose or time	<u>(7,199,397)</u>	<u>(4,992,635)</u>
Financial assets available to meet cash needs for expenditure within one year	<u>\$ 1,233,253</u>	<u>\$ 1,229,862</u>

These financial assets are reduced by amounts not available for general use because of contractual or donor-imposed restrictions. The Organization has flexibility with the scheduling of advance ticket sales for upcoming events in support of its current working capital needs.

13. Facility management agreement:

The Organization manages the performance facility and supporting offices for the City of New Bedford, Massachusetts (hereinafter "City") in exchange for the use of the facility. The City entered into a management contract beginning July 1, 2014 through June 30, 2024 with a total contract value of \$2,310,000. The contract provides for an annual management fee of \$210,000 for the years ended September 30, 2023 and 2022. As of the date of the financial statements, the City's Committee on City Property is reviewing the terms of a new management contract for vote of the Committee.

The Organization is responsible for minor repairs, maintenance, and cleaning of the facility. In exchange for the facility management services provided and the provision of certain educational programming to New Bedford school-age children, the City supports the remaining facility operational and replacement and betterment costs.

ZEITERION THEATRE, INC.

Notes to Financial Statements

14. Significant contracts:

The Organization contracts with local not-for-profit organizations to allow the use of the performance facility for their events. The typical contract provisions include specific rental dates totaling less than fifteen (15) dates throughout the year, a daily rental fee, a box office processing fee, and daily or hourly fees for the use of the Organization’s staff and equipment. The duration of these contracts is less than one (1) year and may be in effect for periods after September 30, 2023 and 2022. The total rental revenue associated with these contracts for the years ended September 30, 2023 and 2022, totaled \$260,201 and \$237,777, respectively.

The Organization contracts with local, national, and international performers for future performances. The duration of these contracts is typically for a limited number of performances, may represent significant financial commitments individually and in total, and may be in effect for periods after September 30, 2023 and 2022.

The City of New Bedford, Massachusetts (hereinafter “City”) contracted on behalf of the Organization with an architectural design firm for the design development and construction document phases of a planned thirty-one (31) million-dollar (\$31MM) facility restoration contract. The Organization escrows funds with the City for purpose of funding this contract as services are provided. The contract’s effective date was June 17, 2020 and the value of the contract commitment is estimated at approximately \$1,530,000 and has been fully funded by capital campaign commitments.

15. Contributions of nonfinancial assets:

The Organization recognizes contribution of nonfinancial asset revenue for certain goods and services received at fair value. These goods and services are utilized in the daily operations of the performance venue. The Organization estimates that it received \$- and \$25,356 in donated goods and services for the years ended September 30, 2023 and 2022, respectively, as summarized in the following table. These contributions meet the criteria for recording in the financial statements and, accordingly, are included in revenue and expense in the Statements of Activities.

<u>Description</u>	<u>2023</u>	<u>2022</u>	<u>Utilization in Programs/ Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Process and inputs</u>
Promotional activities	\$ -	\$ 356	Artist and venue promotional activities	No associated donor restrictions	Valued at the estimated fair value of respective media contributed at reduced rates.
Concessions	-	15,000	Concession operations	No associated donor restrictions	Valued at the estimated fair value of contributed beverages donated for performance event sale.
Hospitality	-	10,000	Mainstage and education performance	No associated donor restrictions	Valued at the estimated fair value of contributed room and meals donated for performers.
Total	\$ -	\$ 25,356			

ZEITERION THEATRE, INC.

Notes to Financial Statements

16. Conditional grants and contracts:

The Organization received the following conditional grants and contracts that have not been recognized as revenue and support for its years ended September 30, 2023 and 2022 that are intended to support the historic theatre facility restoration project:

- A one-million-dollar (\$1MM) grant from the Massachusetts Executive Office of Housing and Economic Development in June 2022 to be awarded over the period of restoration to support well-defined phases of the theater restoration project as well as design related costs while retaining five percent (5%) of the grant as retainage to be paid upon the completion of the restoration project.
- A one-hundred-thousand-dollar (\$100,000) grant from the Massachusetts Development Finance Agency (MassDevelopment) in June 2022 to be awarded conditioned upon the grant funds being used for design and engineering related costs and the installation of the historic marquee on the facility.
- A two-million-dollar (\$2MM) grant from the Massachusetts Executive Office of Administration and Finance under the American Rescue Plan Act of 2021 grant (hereinafter “ARPA”) in January 2023 conditioned upon the grant funds being used for construction related costs for the restoration of the historic theater facility. The grant includes compliance with federal contract provisions specific to the ARPA grant.
- A five-million-dollar (\$5MM) grant from the City of New Bedford, Massachusetts (hereinafter “City”) under the City’s ARPA grant allocation in May 2023 conditioned upon the grant funds being used for construction related costs for the restoration of the historic theater facility and formal approval of related construction contracts by the City. All funds must be expended by December 31, 2024 or returned to the City. On May 8, 2024, the City awarded an additional seven-hundred-fifty-thousand dollars (\$750,000). See Note 21.

17. Related party transactions:

The Organization received support from thirteen (13) and eighteen (18) members of the Board of Directors of the Organization totaling \$306,975 and \$234,967 for the years ended September 30, 2023 and 2022, respectively. A board member is a principal with a public accounting firm that provided accounting consulting for fiscal 2023. The total amount paid for the year ended September 30, 2023 totaled \$-. At September 30, 2023, \$1,579 was owed to the accounting firm.

18. Tax deferred savings plan:

The Organization offers a tax deferred savings plan (Savings Incentive Match Plan for Employees IRA) (hereinafter “Plan”) which qualifies under IRC Sections 408(b) and 408(p). Participants can contribute to fully vested individual tax deferred savings accounts. Participants are allowed to make contributions to the plan up to the maximum allowed by law which may be matched dollar for dollar up to three percent (3%) of eligible compensation at the Organization’s discretion. The Plan covers substantially all employees who work more than thirty (30) hours per week. For the years ended September 30, 2023 and 2022, the Organization made contributions to the Plan totaling \$26,528 and \$21,850, respectively.

ZEITERION THEATRE, INC.

Notes to Financial Statements

19. Concentrations of credit and economic risk:

The Organization maintains its cash deposits at three (3) financial institutions. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents and restricted cash which may, at times, exceed federally insured limits. Two (2) of the financial institutions are also insured by the Massachusetts Depositors Insurance Fund (DIF) that insures all deposits above federally insured limits. At September 30, 2023 and 2022 uninsured cash balances totaled \$1,395,000 and \$1,282,000, respectively.

In support of the capital improvement campaign (hereinafter “Campaign”), the Organization received the following significant contributions during its year ended September 30, 2023:

- a one-million-dollar (\$1,000,000) grant from a private foundation;
- a one-million-dollar (\$1,000,000) anonymous contribution from an individual donor;
- a five-hundred-thousand-dollar (\$500,000) contribution from a private foundation; and
- a two-hundred-fifty-thousand-nine-hundred-ninety-dollar (\$250,990) contribution from an individual donor.

In support of the Campaign the Organization received the following significant contributions during its year ended September 30, 2022:

- a one-million-dollar (\$1,000,000) grant from the Commonwealth of Massachusetts; and
- a five-hundred-thousand-dollar (\$500,000) anonymous contribution from an individual donor.

20. Commitments and contingencies:

The Organization receives a portion of its funding from government agencies. These contracts are subject to contractual provisions governing the programs, most of which are subject to interpretation. These contracts provide the oversight agencies the right to audit the Organization and their sub-recipients and could result in the recapture of revenue previously reported by the Organization. Any disallowed claims resulting from such audits could become a liability of the Organization. The ultimate determination of amounts received under these programs is generally based on allowable costs reported to and auditable by the funding agencies. Until such audits have been completed and a final settlement is reached, there exists a contingency to refund all amounts received in excess of allowable costs. In the opinion of management, the results of any such audits would not have a material effect on the Organization’s financial position or results of operations at September 30, 2023 and 2022.

ZEITERION THEATRE, INC.

Notes to Financial Statements

20. Commitments and contingencies - continued:

The Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules, and regulations of federal, state, and local regulatory agencies including, but not limited to, the following:

- U.S. Department of Housing and Urban Development, Community Development Block Grant
- U.S. Small Business Administration
- National Endowment for the Arts
- National Endowment for the Humanities
- Massachusetts Cultural Council
- Massachusetts Executive Office of Economic Development
- Massachusetts Executive Office of Administration and Finance
- Massachusetts Executive Office of Housing and Economic Development
- Massachusetts Historical Commission
- City of New Bedford, Massachusetts

These administrative directives, rules, and regulations are subject to change by act of the United States Congress, act of the state or local legislature, or an administrative change mandated by the United States federal agencies or Commonwealth of Massachusetts agencies noted above. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with the change. Additionally, contractual funding may decrease or be withdrawn during contract periods with little notice.

21. Subsequent events:

The Organization received the following in support of its capital improvement campaign and theatre facility restoration project after September 30, 2023:

- A seven-hundred-fifty-thousand dollars (\$750,000) award from the City of New Bedford, Massachusetts (hereinafter “City”) under its 2023 – 2027 Capital Improvement Plan allocation in October 2023 conditioned upon the grant funds being used for construction related costs for the restoration of the historic theater facility and formal approval of related construction contracts by the City. All funds must be expended by December 31, 2024 or returned to the City.
- A four-million-dollar (\$4MM) grant from the Massachusetts Executive Office of Economic Development under the 2022 Coronavirus State Fiscal Recovery Fund in January 2024 to be awarded over a three (3) year period ending in June 2026 to support well-defined phases of the theater restoration project.
- A seven-hundred-fifty-thousand dollars (\$750,000) additional grant award from the City under the American Rescue Plan Act of 2021 (ARPA) grant allocation in May 2024 conditioned upon the grant funds being used for construction related costs for the restoration of the historic theater facility and formal approval of related construction contracts by the City. All funds must be expended by December 31, 2024 or returned to the City.

ZEITERION THEATRE, INC.

Notes to Financial Statements

21. Subsequent events - continued:

The Organization executed a ninety-nine (99) year lease agreement (hereinafter “Lease”) for the historic performing arts facility with the City of New Bedford, Massachusetts in June 2024 with annual base rents of one dollar (\$1). The Organization is responsible for all utilities, assessments, replacement and betterment to the facility during the term of the Lease. The Lease facilitates the Organization’s ability to secure Federal and Commonwealth of Massachusetts historic rehabilitation tax credits.

***INFORMATION REQUIRED BY
GOVERNMENT AUDITING STANDARDS***



***Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

To the Board of Directors
Zeiterion Theatre, Inc.
New Bedford, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Zeiterion Theatre, Inc. (a Massachusetts not-for-profit organization) (hereinafter "Organization"), which comprise the Statement of Financial Position as of September 30, 2023 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2024.

Report on internal control over financial reporting:

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (hereinafter "internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

To the Board of Directors
Zeiterion Theatre, Inc.
Page two

Report on compliance and other matters:

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this report:

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Zeiterion Theatre, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Allan Smith and Company CPAs PC". The signature is written in a cursive, flowing style.

Allan Smith and Company, CPAs PC
Stoughton, Massachusetts
September 17, 2024