

**HARVEY & MARTIN, PLLC**

**GLOUCESTER STAGE COMPANY, INC.**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2024 AND 2023**



## INDEPENDENT AUDITOR'S REPORT

January 30, 2026

To the Board of Directors  
Gloucester Stage Company, Inc.  
267 East Main Street  
Gloucester, Massachusetts 01930

### Opinion

We have audited the accompanying financial statements of Gloucester Stage Company, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, 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 referred to above present fairly, in all material respects, the financial position of Gloucester Stage Company, Inc. as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Gloucester Stage Company, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 11 to the financial statements, the Organization has suffered recurring significant reductions in admission revenues, has a net deficiency in net assets, and has stated that substantial doubt exists about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

## **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 Gloucester Stage Company Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **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 generally accepted 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, 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 Gloucester Stage Company, Inc.'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 Gloucester Stage Company, Inc.'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.

Yours truly,

A handwritten signature in cursive script that reads "Harvey & Martin PLLC". The signature is written in black ink and is positioned above the printed name of the firm.

Gloucester, Massachusetts

GLOUCESTER STAGE COMPANY, INC.

STATEMENTS OF FINANCIAL POSITION, DECEMBER 31, 2024 AND 2023

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-- ASSETS --

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 55,106	\$ 16,645
Investments	2,885	75
Employee retention credit receivable	113,289	123,100
Prepaid expenses	<u>4,564</u>	<u>3,019</u>
Total current assets	175,844	142,839
PROPERTY AND EQUIPMENT - NET	<u>1,051,080</u>	<u>970,791</u>
TOTAL	<u>\$ 1,226,924</u>	<u>\$ 1,113,630</u>

-- LIABILITIES AND NET ASSETS --

	<u>2024</u>	<u>2023</u>
CURRENT LIABILITIES:		
Line of credit	\$ 50,000	\$ -
Current maturities of long-term debt	20,011	16,383
Accounts payable and accrued expenses	185,096	120,967
Related party notes payable	27,000	-
Deferred revenue	<u>27,282</u>	<u>33,623</u>
Total current liabilities	309,389	170,973
LONG-TERM DEBT, NET OF CURRENT PORTION	<u>655,175</u>	<u>671,866</u>
TOTAL LIABILITIES	<u>964,564</u>	<u>842,839</u>
NET ASSETS:		
With donor restrictions	-	30,000
Without donor restrictions	<u>262,360</u>	<u>240,791</u>
Total net assets	<u>262,360</u>	<u>270,791</u>
TOTAL	<u>\$ 1,226,924</u>	<u>\$ 1,113,630</u>

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

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GLOUCESTER STAGE COMPANY, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2024

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
Revenue and support:			
Contributions and grants	\$ 553,855	\$ -	\$ 553,855
Contributions of non-financial assets	4,500	-	4,500
Admissions	351,612	-	351,612
Fundraising revenue	103,898	-	103,898
Rental income	37,698	-	37,698
Insurance proceeds	48,803	-	48,803
Concessions	25,808	-	25,808
Investment return	4,674	-	4,674
Program advertising	4,030	-	4,030
Released from restrictions	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
Total revenue and support	<u>1,164,878</u>	<u>(30,000)</u>	<u>1,134,878</u>
Expenses:			
Program services	895,673	-	895,673
Management and general	148,781	-	148,781
Fundraising	<u>98,855</u>	<u>-</u>	<u>98,855</u>
Total expenses	<u>1,143,309</u>	<u>-</u>	<u>1,143,309</u>
CHANGE IN NET ASSETS	21,569	(30,000)	(8,431)
NET ASSETS - BEGINNING	<u>240,791</u>	<u>30,000</u>	<u>270,791</u>
NET ASSETS - ENDING	<u>\$ 262,360</u>	<u>\$ -</u>	<u>\$ 262,360</u>

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

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GLOUCESTER STAGE COMPANY, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
Revenue and support:			
Contributions and grants	\$ 310,261	\$ 30,000	\$ 340,261
Admissions	416,643	-	416,643
Fundraising revenue	118,136	-	118,136
Rental income	5,025	-	5,025
Concessions	26,501	-	26,501
Investment return	26	-	26
Program advertising	10,173	-	10,173
Employee retention credit	<u>123,100</u>	<u>-</u>	<u>123,100</u>
Total revenue and support	<u>1,009,865</u>	<u>30,000</u>	<u>1,039,865</u>
Expenses:			
Program services	831,390	-	831,390
Management and general	153,747	-	153,747
Fundraising	<u>186,124</u>	<u>-</u>	<u>186,124</u>
Total expenses	<u>1,171,261</u>	<u>-</u>	<u>1,171,261</u>
CHANGE IN NET ASSETS	(161,396)	30,000	(131,396)
NET ASSETS - BEGINNING	<u>402,187</u>	<u>-</u>	<u>402,187</u>
NET ASSETS - ENDING	<u>\$ 240,791</u>	<u>\$ 30,000</u>	<u>\$ 270,791</u>

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

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GLOUCESTER STAGE COMPANY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024				2023			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries and wages	\$ 353,779	\$ 50,308	\$ 26,908	\$ 430,995	\$ 275,867	\$ 49,159	\$ 111,418	\$ 436,444
Production	146,437	-	-	146,437	159,268	-	-	159,268
Employee benefits	46,066	6,676	14,020	66,762	44,240	6,412	13,464	64,116
Advertising and promotion	65,489	-	-	65,489	60,210	-	-	60,210
Special events	-	-	50,840	50,840	-	-	54,087	54,087
Depreciation	47,609	-	-	47,609	43,769	-	-	43,769
Apprentice program and housing	47,564	-	-	47,564	46,936	-	-	46,936
Royalties	36,096	-	-	36,096	30,749	-	-	30,749
Payroll taxes	23,284	3,375	7,087	33,746	23,510	3,407	7,155	34,072
Repairs and maintenance	33,028	-	-	33,028	15,040	-	-	15,040
Occupancy	29,334	-	-	29,334	35,477	-	-	35,477
Professional fees	7,537	21,000	-	28,537	9,870	43,042	-	52,912
Interest	27,455	-	-	27,455	38,611	-	-	38,611
Insurance	-	26,830	-	26,830	-	30,536	-	30,536
Office supplies and expenses	-	22,305	-	22,305	-	18,430	-	18,430
Concessions	20,606	-	-	20,606	26,289	-	-	26,289
Credit card fees	-	13,879	-	13,879	14,526	-	-	14,526
Membership dues and fees	11,389	-	-	11,389	7,028	-	-	7,028
Real estate taxes	-	2,662	-	2,662	-	-	-	-
Licenses and permits	-	1,746	-	1,746	-	2,761	-	2,761
<b>TOTAL EXPENSES</b>	<b><u>\$ 895,673</u></b>	<b><u>\$ 148,781</u></b>	<b><u>\$ 98,855</u></b>	<b><u>\$ 1,143,309</u></b>	<b><u>\$ 831,390</u></b>	<b><u>\$ 153,747</u></b>	<b><u>\$ 186,124</u></b>	<b><u>\$ 1,171,261</u></b>

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

GLOUCESTER STAGE COMPANY, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES:		
Change in net assets	\$ (8,431)	\$ (131,396)
Adjustments:		
Depreciation	47,609	43,769
Gain on investments	(2,810)	(16)
Debt issuance costs	227	227
Decrease in grants receivable	-	70,789
(Increase) decrease in employee retention credit receivable	9,811	(123,100)
(Increase) decrease in prepaid expenses	(1,545)	3,635
Increase in accounts payable and accrued expenses	64,129	83,368
Increase (decrease) in deferred revenue	(6,341)	27,838
Contribution of non-financial asset	<u>(4,500)</u>	<u>-</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>98,149</u>	<u>(24,886)</u>
INVESTING ACTIVITIES:		
Purchase of investments	-	(3,791)
Proceeds on sale of investments	-	9,057
Redemption of certificate of deposit	-	4,870
Proceeds from sale of donated asset	4,500	-
Purchase of property and equipment	<u>(127,898)</u>	<u>-</u>
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(123,398)</u>	<u>10,136</u>
FINANCING ACTIVITIES:		
Proceeds from line of credit	50,000	-
Advances from board members	32,000	-
Payments to board members	(5,000)	-
Repayment of long-term debt	<u>(13,290)</u>	<u>(15,419)</u>
CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>63,710</u>	<u>(15,419)</u>
NET DECREASE IN CASH	38,461	(30,169)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>16,645</u>	<u>46,814</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 55,106</u>	<u>\$ 16,645</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 28,831</u>	<u>\$ 27,678</u>

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

# GLOUCESTER STAGE COMPANY, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

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### 1. ORGANIZATION AND NATURE OF OPERATIONS

Gloucester Stage Company, Inc. (the Organization) is a non-profit organization incorporated in the Commonwealth of Massachusetts. The purpose of the Organization is to conduct cultural, charitable, and educational activities. The Organization produces and presents theatrical programs and performances. The Organization receives its funding primarily from admissions and contributions.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

#### Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor-imposed restrictions.

#### Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

As of December 31, 2024 and 2023, the Organization had net assets with donor restrictions of \$0 and \$30,000, respectively.

GLOUCESTER STAGE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Revenue Recognition

Contributions and grants received by the Organization are considered nonreciprocal transactions and recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. Revenue from contributions and grants without donor restrictions is recognized when an unconditional promise is received. For contributions and grants with donor restrictions, revenue is reclassified from net assets with donor restrictions to net assets without donor restrictions when the terms of the restrictions are satisfied.

Revenues generated through the sale of tickets and concessions are recognized when the theatrical performance occurs. Tickets purchased in advance of theatrical performances are reported as deferred revenue until the performance date.

Fundraising revenue, which mainly consists of fundraising events, is recognized when the event occurs. Amounts received in advance of the event are reported as deferred revenue, until the event date.

C. Cash And Cash Equivalents

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

During the course of the normal business cycle, the Organization may at times maintain on deposit, cash balances in excess of federally insured limits. The Organization has not experienced any losses on its deposits of cash and cash equivalents.

As part of an agreement between the Organization and the Actors' Equity Association, the Organization is required to hold funds in a separate cash account, as determined in the agreement, as security for any money due or that may become due during the actors' employment agreement. At December 31, 2024 and 2023, no amounts were held under this agreement.

D. Certificate of Deposit

The certificate of deposit represents an interest bearing cash account with an initial maturity of greater than three months. It is recorded at its face value plus accrued interest, which approximates fair value. The certificate of deposit matured in 2023 and all funds were withdrawn as of December 31, 2023.

GLOUCESTER STAGE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Accounts and Grant Receivable

Accounts receivable is recorded at the amount management expects to collect from outstanding balances net of an allowance for credit losses. The allowance for credit losses is based on management's evaluation of outstanding accounts receivable at the end of the year based on a history of past write-offs and collections and current credit conditions. As of December 31, 2024 and 2023, management believes that all receivables were collectible and therefore no allowance for credit losses exists.

F. Property and Equipment, Net

Property and equipment acquired by purchase are recorded at cost and all purchases over \$2,500 are capitalized. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. Contributed assets are recorded at their estimated fair value on the date of the gift. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities.

Depreciation of property and equipment is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. The following is a summary of the major classes of property and equipment at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Building and land	\$ 750,000	\$ 750,000
Building improvements	605,722	612,901
Equipment and fixtures	173,086	173,086
Dock	135,077	-
Software	<u>12,305</u>	<u>12,305</u>
Total	1,676,190	1,548,292
Less: Accumulated depreciation	<u>(625,110)</u>	<u>(577,501)</u>
Property and equipment - net	<u>\$ 1,051,080</u>	<u>\$ 970,791</u>

Total depreciation expense for the years ended December 31, 2024 and 2023 was \$47,609 and \$43,769, respectively.

G. Advertising

The Organization expenses advertising costs as they are incurred.

GLOUCESTER STAGE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

H. Donated Materials and Services

Donated assets and services are recorded as contributions and a corresponding expense at their estimated fair market value as of the date the assets are donated and the services are provided in the accompanying statements of activities. Donated services are recognized if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

I. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Estimates are used for, but not limited to, allocations of expense to functional categories, depreciation, accrued liabilities, and other reserves. Actual results may differ from the estimates that were used. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

J. Functional Expenses

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

K. Adopted Accounting Pronouncements

On January 1, 2023, the Organization adopted ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets, such as the Organization's accounts receivable.

GLOUCESTER STAGE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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3. INVESTMENTS

All investments have been reported in the financial statements at their fair value as of December 31, 2024 and 2023. The fair value of publicly-traded mutual funds, fixed income and equity securities is based upon quoted market prices and exchange rates. The net realized and unrealized appreciation (depreciation) in the fair value of such investments has been included in the net unrealized gain (loss) in the statements of activities and changes in net assets in the applicable net asset category.

4. EMPLOYEE RETENTION CREDIT RECEIVABLE

The Organization is eligible for the Employee Retention Credit ("ERC") under the CARES Act. Refunds receivable related to the ERC at December 31, 2024 and 2023 were \$113,289 and \$123,100, respectively. During the year ended December 31, 2024, the Organization received \$9,811, which represented refunds related to the first and second quarters of 2020. The remaining receivable at December 31, 2024 represents refunds due on the Form 941 Employer Quarterly Federal Tax Returns for the third quarter of 2021 and the remaining quarters of 2020.

5. LONG-TERM DEBT

Long-term debt at December 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Mortgage note payable to a bank, refinanced in February 2020, with monthly installments of \$3,271 including interest at 4.25% for the first five years and adjusting every five years thereafter according to the five year U.S. Treasury plus a margin of 3.25%, due January 2045, secured by land and building.	\$ 530,987	\$ 544,277

GLOUCESTER STAGE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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5. LONG-TERM DEBT (CONT.)

On May 27, 2020, the Organization entered into a Loan Agreement and Promissory Note to secure an Economic and Injury Disaster Loan (EIDL Loan) administered by the Small Business Administration. The Organization received total loan proceeds of \$150,000. The loan is scheduled to mature April 27, 2050, carries a 2.75% interest rate, with monthly installments of principal and interest of \$641 beginning May 27, 2022. On March 15, 2022, the Organization received a deferral of these payments until June 2023. The Organization is making payments consisting of entirely interest until the accrued interest balance is paid down, which is expected to occur in 2025. The loan is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration. The proceeds from the EIDL Loan are to be used for working capital purposes. The loan is secured by substantially all business assets.

	<u>150,000</u>	<u>150,000</u>
Total	680,987	694,277
Unamortized debt issuance costs	(5,801)	(6,028)
Less: Current maturities of long-term debt	<u>(20,011)</u>	<u>(16,383)</u>
LONG-TERM DEBT	\$ <u>655,175</u>	\$ <u>671,866</u>

Following are maturities of long-term debt for each of the next five years and thereafter:

December 31

2025	\$ 20,011
2026	21,440
2027	22,312
2028	23,220
2029	24,166
Thereafter	<u>569,838</u>
Total	\$ <u>680,987</u>

GLOUCESTER STAGE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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6. INCOME TAXES

The Organization has been granted tax-exempt status under Internal Revenue Code Section 501(c) (3) and is, therefore, generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

The Organization is required to evaluate or disclose tax positions that could have an effect on the Organization's financial statements. The Organization reports its activities to the Internal Revenue Service and to the Commonwealth of Massachusetts on an annual basis. These informational returns are generally subject to audit and review by the government agencies for a period of three years after filing. Substantially all of the Organization's income, expenditures and activities relate to its exempt purpose, therefore, management has determined that the Organization is not subject to unrelated business income taxes and will continue to qualify as a tax-exempt non-profit entity.

As of December 31, 2024, the Return of Organization Exempt From Income Tax on Form 990 for years before 2021 remain open to examination by the Internal Revenue Service and the Massachusetts Attorney General's Office.

7. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2024 and 2023 net assets with donor restrictions were comprised of the following:

	<u>2024</u>	<u>2023</u>
Specified production	\$ -	\$ 10,000
Education	<u>-</u>	<u>20,000</u>
Total	<u>\$ -</u>	<u>\$ 30,000</u>

8. LIQUIDITY

Financial assets of approximately \$57,991 and \$16,720, as of December 31, 2024 and 2023, respectively, were available to meet the organization's expenditures in the following year. Included in these totals are net assets with donor restrictions totaling \$0 and \$30,000 at December 31, 2024 and 2023, respectively, for the Organization's specified activities for the purposes of funding the various programs and expenditures as they are incurred.

GLOUCESTER STAGE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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9. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of fair value hierarchy under this framework are described as follows:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) in active markets or identical assets or liabilities that the Organization can access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:
  - a. Quoted prices for similar assets or liabilities in active markets
  - b. Quoted prices for identical or similar assets or liabilities in inactive markets
  - c. Inputs other than quoted prices that are observable for the asset or liability
  - d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs that are unobservable inputs for the asset or liability.

GLOUCESTER STAGE COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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9. FAIR VALUE MEASUREMENTS (CONT.)

The following table presents the financial instruments at fair value as of December 31:

	<u>2024</u>			
Assets at fair value:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock and exchange traded funds	\$ <u>2,885</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,885</u>
Total	\$ <u><u>2,885</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,885</u></u>

  

	<u>2023</u>			
Assets at fair value:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock and exchange traded funds	\$ <u>75</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>75</u>
Total	\$ <u><u>75</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>75</u></u>

10. OPERATING LEASE

The Organization has a recurring short term non-cancelable lease agreement for a house in Gloucester, Massachusetts. For the years ended December 31, 2024 and 2023, rental expense related to this lease was \$18,000.

11. LINE OF CREDIT

During the year ended December 31, 2024, the Organization entered into a new revolving credit arrangement, payable on demand, with a borrowing limit of \$50,000. Borrowings under the line of credit bear interest at the Wall Street Prime Rate plus a margin of one percent (8.50% at December 31, 2024), and are secured by a building. Outstanding borrowings against the line of credit at December 31, 2024 totaled \$50,000.

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12. RELATED PARTY ACTIVITY

During the year ended December 31, 2024, the Organization entered into short-term note payable agreements with two board members. The notes are payable on demand and bear no interest.

Activity related to these notes during the year ended December 31, 2024 was as follows:

	<u>2024</u>
Related party notes payable at January 1	\$ -
Advances from board members	32,000
Payments to board members	<u>(5,000)</u>
Related party notes payable at December 31	<u>\$ 27,000</u>

13. NON-CASH INVESTING AND FINANCING ACTIVITIES

The Organization engaged in the following non-cash investing activities during the year ended December 31, 2024:

Fair value of donated vehicle	\$ 4,500
Increase in contributions of non-financial assets	<u>(4,500)</u>
Cash paid	<u>\$ -</u>

14. GOING CONCERN

As reflected in the accompanying financial statements, the Organization had incurred a decrease in net assets of approximately \$8,431 for the year ended December 31, 2024. In addition, the Organization faces uncertain conditions with its low level of cash in relation to expenses and a dependence on a certain level of contributions. These factors create substantial doubt about the Organization's ability to continue as a going concern for the year following the date the financial statements are available to be issued.

Management and the Board of Directors have evaluated these conditions and have taken steps to improve liquidity and operating results. As of December 31, 2025, the Organization reported a cash balance of approximately \$143,000. The Organization is also anticipating additional cash inflows from early subscription sales and ongoing fundraising efforts. As of the date of this report, the Organization has received \$25,379 in early subscription sales and \$133,396 in donations for the 2026 season.

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14. GOING CONCERN (CONT.)

Additionally, the Organization continues to generate revenue through rental of unused building space and from boat dock operations, which produced rental income of \$36,350 and \$42,650 during 2024 and 2025, respectively, and is expected to provide ongoing support in 2026. The Board is also strengthening financial oversight, approving budgets, monitoring cash flow, and pursuing additional grant funding and sponsorship initiatives to support operations.

The ability of the Organization to continue as a going concern and meet its obligations as they become due is dependent on management's successful execution of its plans. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

15. EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 30, 2026 the date the financial statements were available to be issued.

In September 2025, a case was filed in court by a former actor of the Theatre related to harassment and retaliation claims arising from an incident during a prior production. The case is currently in the early stages of litigation, with the parties awaiting the next phase of proceedings, including discovery. The Organization is working with legal counsel retained through its insurance carrier. Management is monitoring the matter and will continue to assess any potential financial impact as the case progresses.