



**ZEITERION
PERFORMING
ARTS CENTER**

ZEITERION THEATRE, INC. AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024**

ZEITERION THEATRE, INC. AND AFFILIATES

Contents
December 31, 2024

| | <u>Pages</u> |
|--|--------------|
| Independent Auditor's Report | 1 - 1A |
| Consolidated Financial Statements: | |
| Consolidated Statement of Financial Position | 2 |
| Consolidated Statement of Activities | 3 |
| Consolidated Statement of Changes in Net Assets | 4 |
| Consolidated Statement of Cash Flows | 5 |
| Consolidated Statement of Functional Expenses | 6 |
| Notes to Consolidated Financial Statements | 7 - 21 |
| Supplemental Information: | |
| Supplementary Consolidating Statement of Financial Position (Exhibit A) | 22 |
| Supplementary Consolidating Statement of Activities (Exhibit B) | 23 |
| Supplementary Consolidating Statement of Changes in Net Assets (Exhibit C) | 24 |

Independent Auditor's Report

To the Board of Directors of
Zeiterion Theatre, Inc. and Affiliates:

Opinion

We have audited the consolidated financial statements of Zeiterion Theatre, Inc. (a Massachusetts nonprofit corporation) and Affiliates (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, changes in net assets, cash flows, and functional expenses for the period from October 1, 2023 to December 31, 2024, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Zeiterion Theatre, Inc. and Affiliates as of December 31, 2024, and the changes in their net assets and their cash flows for the period from October 1, 2023 to December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

Emphasis of Matter - Prior Period Adjustment

As discussed in Note 15 to the consolidated financial statements, the net assets without donor restrictions and construction in progress opening balances related to September 30, 2023, have been restated to correct the balances between net assets without donor restrictions and construction in progress. Our opinion is not modified with respect to that matter.

Emphasis of Matter - Reporting Period

As discussed in Note 1 to the consolidated financial statements, the Organization elected to change its fiscal year end from September 30 to December 31. As a result, the accompanying consolidated financial statements present a fifteen-month period from October 1, 2023 to December 31, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information on pages 22 to 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information on pages 22 to 24 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on pages 22 to 24 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

AAFCPAs, Inc.

Boston, Massachusetts
May 15, 2025

ZEITERION THEATRE, INC. AND AFFILIATESConsolidated Statement of Financial Position
December 31, 2024

Assets

Current Assets:

| | |
|--|------------|
| Cash | \$ 746,070 |
| Government grants and contracts receivable | 1,364,196 |
| Current portion of grants and pledges receivable | 170,165 |
| Prepaid expenses and other | 43,789 |

Total current assets 2,324,220

Other Assets:

| | |
|---|------------|
| Grant and pledges receivable, net current portion | 175,000 |
| Restricted cash | 8,426,527 |
| Property and equipment, net | 26,001 |
| Construction in progress | 13,522,840 |

Total other assets 22,150,368

Total assets \$ 24,474,588

Liabilities and Net Assets

Current Liabilities:

| | |
|---|------------|
| Accounts payable and accrued expenses - operating | \$ 158,514 |
| Deferred revenue | 140,904 |

Total current liabilities 299,418

Long-Term Liabilities:

| | |
|--|-----------|
| Accounts payable and accrued expenses - construction | 1,867,578 |
| Note payable | 849,703 |

Total long-term liabilities 2,717,281

Total liabilities 3,016,699

Net Assets:

| | |
|----------------------------|------------|
| Without donor restrictions | 12,321,982 |
| With donor restrictions | 9,135,907 |

Total net assets 21,457,889

Total liabilities and net assets \$ 24,474,588

ZEITERION THEATRE, INC. AND AFFILIATES

Consolidated Statement of Activities
For the Fifteen Months Ended December 31, 2024

Changes in Net Assets Without Donor Restrictions:

| | |
|--|---------------|
| Operating revenues: | |
| Grants and contributions | \$ 1,278,594 |
| Admission revenue | 333,153 |
| Rental income | 169,629 |
| Facility management fee | 157,500 |
| Interest and other | 136,355 |
| Concession and advertising sales | 28,419 |
| Net assets released from purpose restrictions | 409,378 |
| Net assets released from time restrictions | 25,000 |
| | <hr/> |
| Total operating revenues | 2,538,028 |
| | <hr/> |
| Operating expenses: | |
| Program services | 1,884,434 |
| Capital campaign | 409,378 |
| General and administrative | 715,808 |
| Fundraising | 213,575 |
| | <hr/> |
| Total operating expenses | 3,223,195 |
| | <hr/> |
| Changes in net assets without donor restrictions from operations | (685,167) |
| | <hr/> |
| Other revenue: | |
| Developer fee revenue | 2,200,000 |
| Net assets released from capital restrictions | 7,638,561 |
| | <hr/> |
| Total other revenue | 9,838,561 |
| | <hr/> |
| Changes in net assets without donor restrictions | 9,153,394 |
| | <hr/> |
| Changes in Net Assets With Donor Restrictions: | |
| Capital grants and contributions | 10,009,449 |
| Net assets released from time restrictions | (25,000) |
| Net assets released from purpose restrictions | (409,378) |
| Net assets released from capital restrictions | (7,638,561) |
| | <hr/> |
| Changes in net assets with donor restrictions | 1,936,510 |
| | <hr/> |
| Changes in net assets | \$ 11,089,904 |
| | <hr/> |

ZEITERION THEATRE, INC. AND AFFILIATESConsolidated Statement of Changes in Net Assets
For the Fifteen Months Ended December 31, 2024

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---|--|-----------------------------|
| Net Assets , September 30, 2023, as previously stated | \$ 2,305,544 | \$ 7,199,397 | \$ 9,504,941 |
| Prior period adjustment | <u>863,044</u> | <u>-</u> | <u>863,044</u> |
| Net Assets , September 30, 2023, as restated | 3,168,588 | 7,199,397 | 10,367,985 |
| Changes in net assets | <u>9,153,394</u> | <u>1,936,510</u> | <u>11,089,904</u> |
| Net Assets , December 31, 2024 | <u><u>\$ 12,321,982</u></u> | <u><u>\$ 9,135,907</u></u> | <u><u>\$ 21,457,889</u></u> |

ZEITERION THEATRE, INC. AND AFFILIATES

Consolidated Statement of Cash Flows
For the Fifteen Months Ended December 31, 2024

Cash Flows from Operating Activities:

| | |
|--|------------------|
| Changes in net assets | \$ 11,089,904 |
| Adjustments to reconcile changes in net assets to net cash used in operating activities: | |
| Depreciation | 31,971 |
| Capital grants and contributions | (10,009,449) |
| Changes in operating assets and liabilities: | |
| Government grants and contracts receivable | (1,271,004) |
| Prepaid expenses and other | 162,206 |
| Grants and pledges receivable | (503,029) |
| Accounts payable and accrued expenses - operating | (120,446) |
| Deferred revenue | (170,974) |
| | <u>(790,821)</u> |
| Net cash used in operating activities | <u>(790,821)</u> |

Cash Flows from Investing Activities:

| | |
|--|--------------------|
| Cash paid for construction in progress | <u>(9,440,497)</u> |
|--|--------------------|

Cash Flows from Financing Activities:

| | |
|---|-------------------|
| Capital grant income received in cash | 10,259,449 |
| Payment on line of credit | (18,695) |
| Proceeds from note payable | <u>849,703</u> |
| Net cash provided by financing activities | <u>11,090,457</u> |

Net Change in Cash and Restricted Cash 859,139

Cash and Restricted Cash:

| | |
|-------------------|----------------------------|
| Beginning of year | <u>8,313,458</u> |
| End of year | <u><u>\$ 9,172,597</u></u> |

Reconciliation of Cash and Restricted Cash Reported Within the Consolidated Statement of Financial Position:

| | |
|--------------------------------|----------------------------|
| Cash | \$ 746,070 |
| Restricted cash | <u>8,426,527</u> |
| Total cash and restricted cash | <u><u>\$ 9,172,597</u></u> |

Supplemental Disclosure of Cash Flow Information:

| | |
|---|----------------------------|
| Construction in progress included in accounts payable and accrued expenses - construction | <u><u>\$ 1,867,578</u></u> |
|---|----------------------------|

ZEITERION THEATRE, INC. AND AFFILIATES

 Consolidated Statement of Functional Expenses
 For the Fifteen Months Ended December 31, 2024

| | Program Services | | | | Capital Campaign | General and Administrative | Fundraising | Total |
|---|----------------------|------------------------|----------------------|------------------------|-------------------|----------------------------|-------------------|---------------------|
| | Center Presentations | Hall Rental Operations | Educational Programs | Total Program Services | | | | |
| Personnel and Related: | | | | | | | | |
| Salaries | \$ 1,023,508 | \$ 93,046 | \$ 124,062 | \$ 1,240,616 | \$ 202,811 | \$ 170,585 | \$ 139,569 | \$ 1,753,581 |
| Payroll taxes and benefits | 185,015 | 16,820 | 22,426 | 224,261 | 20,906 | 30,836 | 25,229 | 301,232 |
| Total personnel and related | <u>1,208,523</u> | <u>109,866</u> | <u>146,488</u> | <u>1,464,877</u> | <u>223,717</u> | <u>201,421</u> | <u>164,798</u> | <u>2,054,813</u> |
| Occupancy: | | | | | | | | |
| Property insurance | 5,424 | - | - | 5,424 | - | 17,834 | - | 23,258 |
| Repairs and maintenance | 34 | - | - | 34 | - | 8,912 | - | 8,946 |
| Total occupancy | <u>5,458</u> | <u>-</u> | <u>-</u> | <u>5,458</u> | <u>-</u> | <u>26,746</u> | <u>-</u> | <u>32,204</u> |
| Other: | | | | | | | | |
| Professional fees | 500 | - | 16 | 516 | 130,292 | 110,005 | 698 | 241,511 |
| Licensing fees and information technology | 45,268 | - | - | 45,268 | 1,899 | 92,194 | 13,939 | 153,300 |
| Artist fees | 73,380 | 7,408 | 71,108 | 151,896 | - | - | - | 151,896 |
| Supplies and equipment | 95,662 | 765 | 12,304 | 108,731 | 1,796 | 15,428 | 222 | 126,177 |
| Advertising and promotion | 3,429 | - | 100 | 3,529 | 48,937 | 42,381 | 14,198 | 109,045 |
| Contract labor | 54,935 | - | - | 54,935 | 438 | 38,331 | - | 93,704 |
| Office expense and other | 454 | - | 651 | 1,105 | 578 | 43,343 | 14,666 | 59,692 |
| Transportation and hospitality | 24,059 | - | 2,275 | 26,334 | - | 21,550 | 3,713 | 51,597 |
| Miscellaneous | 6,773 | - | 274 | 7,047 | - | 37,448 | 409 | 44,904 |
| Bank and credit card fees | 12,333 | - | - | 12,333 | 225 | 18,478 | - | 31,036 |
| Telephone | 1,397 | - | 834 | 2,231 | 1,325 | 26,679 | 680 | 30,915 |
| Conferences | 174 | - | - | 174 | 171 | 9,833 | 252 | 10,430 |
| Total other | <u>318,364</u> | <u>8,173</u> | <u>87,562</u> | <u>414,099</u> | <u>185,661</u> | <u>455,670</u> | <u>48,777</u> | <u>1,104,207</u> |
| Total expenses before depreciation | <u>1,532,345</u> | <u>118,039</u> | <u>234,050</u> | <u>1,884,434</u> | <u>409,378</u> | <u>683,837</u> | <u>213,575</u> | <u>3,191,224</u> |
| Depreciation | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>31,971</u> | <u>-</u> | <u>31,971</u> |
| Total expenses | <u>\$ 1,532,345</u> | <u>\$ 118,039</u> | <u>\$ 234,050</u> | <u>\$ 1,884,434</u> | <u>\$ 409,378</u> | <u>\$ 715,808</u> | <u>\$ 213,575</u> | <u>\$ 3,223,195</u> |

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

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

1. OPERATIONS AND NONPROFIT STATUS

Operations

The Zeiterion Theatre, Inc. (the Theatre) is a Massachusetts not-for-profit organization incorporated in 1982. The mission of the Theatre is to steward the historic theater as a gathering place for performing arts experiences where learning, connection, and creative expression thrive. We envision a vibrant, bustling center for the performing arts that is a beacon of creative energy and a valuable civic asset for New Bedford and beyond. The Theatre is guided by the core values of imagination, connection, equity, transparency, and discovery. As a major economic driver for the city and region, the theatre derives its revenue and support from ticket sales, rentals, facility management, individual donors, corporate sponsors, and public and private grants.

The Theatre's programs have been categorized as follows:

Center presentations – Presentations of a wide variety of performing arts in the main auditorium that include live music, theater, dance, comedy, and more.

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 Theatre include on stage events which bring children into the theater and classroom experiences that engage learners of all ages in the performing arts experience.

The Theatre embarked on a thirty-seven million-dollar capital improvement campaign to renovate the historic theater (the Project) in New Bedford, Massachusetts which opened in 1923 (see Notes 3 and 4).

Zeiterion Realty LLC's (Realty) (see Note 3) rehabilitation of the Project is also eligible for Federal Historic Rehabilitation Tax Credits (HTC) for qualifying expenditures under Section 47 of the Internal Revenue Code. The rehabilitation of the Project qualified Realty to claim approximately \$34,000,000 of qualified rehabilitation expenditures, which will enabled the Investor Partner (see Note 3) to claim \$6,800,000 of HTC upon completion of the Project, which is estimated to be completed later in 2025. The HTC are calculated at 20% of qualified rehabilitation expenditures. The HTC are claimed and are subject to recapture during the five-year period following the completion of the rehabilitation if the Project is sold or taken out of service within five years of being placed in service. Recapture is reduced by 20% on each anniversary of the original placed in service date. The Project also qualifies for Massachusetts Historic Rehabilitation Tax Credits authorized by the Commonwealth of Massachusetts (the Commonwealth) for the rehabilitation of historic places located in the Commonwealth as determined by the Massachusetts Historical Commission.

In September 2024, the Theatre elected to change their fiscal year from September 30 to December 31 to coincide their year end with their new affiliates that were created during 2024 which have a December 31 year end (see Note 3). The accompanying consolidated financial statements present the period from October 1, 2023 to December 31, 2024, and are referred to as the period ended December 31, 2024.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

1. OPERATIONS AND NONPROFIT STATUS (Continued)

Nonprofit Status

The Theatre is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Theatre is also exempt from state income taxes. Donors may deduct contributions made to the Theatre within the IRC requirements.

Zeiterion Realty MM LLC and Zeiterion Realty LLC have elected to be treated as disregarded entities for income tax purposes as the Theatre is the sole member of the Managing Member and owns majority interest in Realty. Effective in January 2025, Zeiterion Realty MM LLC elected to be taxed as a C corporation and, as a result, Realty will file a partnership return. Income of Realty, as well as losses, deductions, and credits, will be reported by the partners on their respective income tax returns.

2. SIGNIFICANT ACCOUNTING POLICIES

The Theatre and its Affiliates (collectively, the Organization) prepares their consolidated financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Zeiterion Theatre, Inc., Zeiterion Realty MM LLC (the Managing Member) and Zeiterion Realty LLC (Realty) (collectively, the Organization) (see Note 3). The Theatre is the sole member of the Managing Member and owns majority interest in Realty. All significant balances between classes of net assets, intercompany balances, and transactions have been eliminated in the accompanying consolidated financial statements (see Note 3).

Cash, Cash Equivalents and Restricted Cash

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. As of December 31, 2024, there were no cash equivalents. For the purpose of the consolidated statement of cash flows, cash and restricted cash include cash and restricted cash (see Note 6) with an initial maturity of three months or less.

Government Grants and Contracts Receivable and Allowance for Doubtful Accounts

Government grants and contracts receivable are recorded at the invoiced amount, do not bear interest, and are due on demand. An allowance for doubtful government grants and contracts receivable is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. Amounts are written-off against the allowance when they are determined to be uncollectible. There was no allowance for doubtful government grants and contracts receivable deemed necessary as of December 31, 2024.

Grants and Pledges Receivable and Allowance for Doubtful Accounts

Unconditional promises to give that are expected to be collected within one year are recorded at fair value at the date the promise is received and are included in pledges and contributions receivable in the accompanying consolidated statement of financial position. 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 net of an allowance for doubtful accounts, if any.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Pledges Receivable and Allowance for Doubtful Accounts (Continued)

An allowance for doubtful pledges and contributions receivable is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible. There was no allowance for doubtful grants and pledges receivable deemed necessary as of December 31, 2024.

Property and Equipment and Depreciation

Property and equipment are recorded at cost (see Note 3). Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred.

Depreciation of property and equipment is computed using the straight-line method based on the estimated useful lives of furniture, fixture and equipment of three to ten years.

The Organization accounts for the carrying value of its property and equipment in accordance with the requirements of ASC Topic 360, *Impairment and Disposal of Long-Lived Assets*. As of December 31, 2024, the Organization has not recognized any reduction in the carrying value of its property and equipment in consideration of the requirement.

Construction in Progress

The Organization is in the progress of a large renovation project to the theatre (see Note 4) as part of its capital campaign. All project-related costs incurred during construction are capitalized. These costs include, among others, construction, interest, and other project-related costs and are reflected as construction in progress in the accompanying consolidated statement of financial position (see Note 4). There were no development costs that were deemed to be non-recoverable as of December 31, 2024.

Deferred Revenue

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

Net Assets Classifications

Net assets without donor restrictions represent resources which bear no external donor restrictions and are available to carry on the operations of the Organization.

Net assets with donor restrictions represent contributions received or pledged that have not yet been expended for their designated purpose or satisfied their time restriction.

As of December 31, 2024, net assets with donor restrictions are restricted as follows:

| | |
|------------------------------------|---------------------|
| Restricted for capital renovations | \$ 9,060,907 |
| Time restricted | <u>75,000</u> |
| Total | <u>\$ 9,135,907</u> |

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Admission Revenue, Developer Fees, Facility Management Fee, and Concession and Advertising Sales

The Organization generally measures revenue based on the amount of consideration the Organization expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Organization satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue contracts with customers based on the five-step model under Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606): (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

In accordance with Topic 606, ticket sales revenue and related ticketing fees and service charges (collectively, admission revenue) are recognized as productions are performed. The performance obligation of delivering the performance is simultaneously received and consumed by the recipients; therefore, the revenue is recognized as productions are performed. The receipt of admission revenue for performances in the following year is recorded as deferred revenue in the accompanying consolidated statement of financial position.

Developer fees are earned by the Theatre in its role as sponsor and developer of Realty's (see Note 3) project. Developer fees are generally earned under written developer agreements executed with the Affiliates that detail the rights and responsibilities of both parties under each project development agreement. The agreements define the scope of activities to be provided by the Theatre and generally include supervising and coordinating project projections, overseeing the construction and/or rehabilitation, obtaining the necessary permitting, and overseeing and coordinating any reporting requirements of the project. These activities under the agreement are considered a single performance obligation as the services provided are not considered to be distinct within the context of the agreement. The Theatre determined the services within the agreement are highly interdependent with each other and comprise an integrated series of activities associated with the completion of a single real estate development project. Developer agreements define the fixed compensation which the Theatre is expected to be entitled to and a schedule of payments to be made from project development sources and, in some cases, from net cash flow from project operations. The performance obligations under developer agreements are satisfied over time as the Theatre's performance creates or enhances a real estate asset that the affiliate controls. Accordingly, the Theatre recognizes revenue from developer agreements over time, as the services are rendered, based on an input method of developer time and effort incurred relative to total expected developer time and effort to complete the contract. Due to the contingent nature of certain developer fees which may be payable from net cash flow from project operations, some fees may not be recognized until received or when collection is assured. See Note 3 for additional disclosures related to this developer agreement.

Facility management fee is recognized by the Organization for the daily operational management of the performance facility on behalf of the City of New Bedford, Massachusetts (the City) (see Note 9), as a single performance obligation under the contract. Revenue is recognized ratably over the term of the respective agreement as the performance obligations are satisfied over time. The agreement specifies the compensation for each annual period and is generally fixed under the relevant agreement. Facility management fee revenue is only recognized as revenue when collection is assured.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Admission Revenue, Developer Fees, Facility Management Fee, and Concession and Advertising Sales (Continued)

Facility management fee revenue received in advance of services being provided is recorded as deferred revenue in the accompanying consolidated statement of financial position (contract liability). There was no deferred revenue as of December 31, 2024 or October 1, 2023. There were also no amounts receivable (contract asset) related to fee for service revenue as of December 31, 2024 or October 1, 2023.

Concession and advertising sales are recognized as earned at the point of sale.

The following table disaggregates the Organization's revenue based on the timing of satisfaction of performance obligations for the period ended December 31, 2024:

| | |
|---|---------------------|
| Satisfied over time: | |
| Developer fee revenue | \$ 2,200,000 |
| Facility management fee | <u>157,500</u> |
| Total revenue from contracts satisfied over time | <u>\$ 2,357,500</u> |
| Satisfied at a point in time: | |
| Admissions revenue | \$ 333,153 |
| Concession and advertising sales | <u>28,419</u> |
| Total revenue from contracts satisfied at a point in time | <u>\$ 361,572</u> |

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition (Topic 958)*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. See Note 13 for disclosure of the Organization's conditional grants as of December 31, 2024. Government grants and contracts fall within the scope of Topic 958 and are recorded as services are provided and costs are incurred and are received from Federal, state, and local government agencies and are included in grants and contributions in the consolidated statement of activities.

Grants and contributions without donor restrictions are recorded as revenue when unconditionally received or committed. Grants and contributions with donor restrictions are recorded as revenue and net assets with donor restrictions when unconditionally received or pledged. Transfers are made to net assets without donor restrictions as purpose restrictions are accomplished or time restrictions have lapsed.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Rental Income

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 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. Rental income is attributable to the use of the theatre from short-term space usage (a period of twelve months or less) and is recognized over the rental period. Advance receipts of rental income are classified as liabilities (prepaid revenue) until earned. The total rental revenue associated with these agreements for the period ended December 31, 2024, totaled \$169,629.

Interest and Other Income

Interest and other income are recognized as earned.

Leases

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) and determines lease classification as operating, sales-type and direct financing at inception. The Organization only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with terms, including renewal options, of twelve months or less are treated as short-term leases. The Organization has a lease agreement with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

Consolidated Statement of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and expenses in the accompanying consolidated statement of activities. All other transactions are presented as other revenues (expenses).

Estimates

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

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are repairs and maintenance and insurance (which are allocated on a square footage basis) as well as payroll and related, professional services, office expense and other, licensing fees and information technology, which are allocated on the basis of estimates of time and effort or specific identification to the grant or contract.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization expenses advertising and promotional costs as they are incurred. Advertising and promotional expense totaled \$109,045 for the period ended December 31, 2024, and is shown as advertising and promotion in the accompanying consolidated statement of functional expenses.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at December 31, 2024.

Subsequent Events

Subsequent events have been evaluated through May 15, 2025, which is the date the consolidated financial statements were available to be issued. See Note 1 for an event that met the criteria disclosure in the consolidated financial statements.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

3. RELATED PARTY TRANSACTIONS

Related Entities

The Organization's consolidated financial statements include the following entities:

Zeiterion Realty LLC (Realty) is a Massachusetts limited liability company that was formed during 2024. Realty was formed to own, rehabilitate and lease the historic theatre (the Realty Project). The property is in the process of being rehabilitated (see Note 4). The Theatre holds a 99% interest in the capital, income, losses, credits, and cash flow of Realty. During the period ended December 31, 2024, Realty received a total capital contribution from the Managing Member of \$11,805,540 (see below).

Zeiterion Realty MM LLC (the Managing Member) is a Massachusetts limited liability company that was formed during 2024. The Theatre is the sole member of the Managing Member. The Managing Member holds a 1% interest in the capital, income, losses, credits, and cash flow of Realty. During the period ended December 31, 2024, the Theatre made a total of \$11,805,540 of capital contributions to the Managing Member, which included construction in progress of \$2,214,765 that was previously paid for by the Theatre and contributed to the Managing Member during 2024. All cash and construction in progress contributed to the Managing Member was in turn contributed to Realty (see above). The Theatre has provided cash capital contributions using funds raised from their capital campaign in addition to transferring construction costs that it has previously paid for to the Managing Member to enable the Managing Member to fulfill its capital commitments to Realty.

The Organization is related to the following organization:

Bristol Country Savings Bank (Investor Member) is a Massachusetts bank that will be the Investor of the Project and will hold a 99% interest in the capital, income, losses, credits, and cash flow of Realty once admitted, which will take place once criteria construction milestones are met, as outlined in the Realty's operating agreement. The Investor Member is expected to be admitted later in 2025. The Investor Member has committed a total of \$8,508,688 in capital contributions to Realty, of which \$849,073 was advanced to the Realty in a form of a note payable during the period ended December 31, 2024 (see Note 7), and will convert to equity upon the Investor Members being admitted to Realty.

Investment in Affiliate

Investment in affiliate is accounted for using the cost method and is eliminated in consolidation. Investment in affiliate is increased as new cash investments are made or by valuation recoveries of reserved investments. Investment in affiliate is reduced by cash distributions received which represent return of capital or impairments based on recoverability analysis.

During the period ended December 31, 2024, the Theatre invested \$11,805,540 (see above) in the Managing Member, which the Managing Member then used to invest in Realty. Management has determined that these investments in affiliates for each respective entity will not be recovered and has fully reserved the respective balances. As a result, both the Theatre and the Managing Member recorded a provision for uncollectible investment in affiliate totaling \$11,805,540 for the period ended December 31, 2024, which has been eliminated in consolidation.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

3. RELATED PARTY TRANSACTIONS (Continued)

Investment in Affiliate (Continued)

The balance consisted of the following as of December 31, 2024:

| | <u>The Theatre</u> | <u>The Managing Member</u> | <u>Total</u> |
|-----------------------------|--------------------|----------------------------|-------------------|
| Investment in affiliate | \$ 11,805,540 | \$ 11,805,540 | \$ 23,611,080 |
| Less - valuation allowances | <u>11,805,540</u> | <u>11,805,540</u> | <u>23,611,080</u> |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Developer Fees

The Theatre is the sponsor and developer of the Realty Project (see Note 2) and was entitled to a developer fee and overhead reimbursement for services provided during the development of this project. The following is a summary of the developer fee contract balance:

| <u>Project</u> | <u>Total Contract</u> | <u>Recognized Prior to September 30, 2023</u> | <u>Recognized During the Period of December 31, 2024</u> | <u>Remaining Contract Balance</u> |
|----------------|-----------------------|---|--|-----------------------------------|
| Realty Project | <u>\$ 3,900,000</u> | <u>\$ -</u> | <u>\$ 2,200,000</u> | <u>\$ 1,700,000</u> |

For the period ended December 31, 2024, the Theatre earned and recognized \$2,200,000, which is included in other revenue as these funds were used to make an investment in the Managing Member. The Managing Member then utilized these funds to make the same investment in Realty. As such, this amount is included in the balance of investment in affiliate and the related valuation allowance (see above) as of December 31, 2024. There was no outstanding developer fee balance owed to the Theatre as of December 31, 2024. The remaining contract balance of \$1,700,000 represents the portion of the fee expected to be deferred and paid from Realty's distributable cash flow, as outlined in the Realty's operating agreement, once the Project is placed into service.

Guarantees

The Theatre and the Managing Member have various guarantees for operating deficits, full, complete and punctual payment, and performance on each obligation with Realty as outlined in Realty's operating agreement.

The Theatre, Realty, and Managing Member are also guarantors on certain note payables (see Note 7).

Other Transactions

The Organization received support from eighteen members of the Board of Directors of the Organization totaling approximately \$453,000 for the period ended December 31, 2024.

A Board member provided bookkeeping services, for which the Organization paid approximately \$14,000 during the period ended December 31, 2024, and is included in professional fees in the accompanying consolidated statement of functional expenses.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

3. RELATED PARTY TRANSACTIONS (Continued)

Other Transactions (Continued)

Three members of the Organization's Board also serve on the Board of Bristol County Savings Bank (BCSB), which acts as a lender (see Note 7), holds certain bank accounts for the Organization, and will become the Investor Member in Realty upon admission later in 2025 and will hold 99% interest in this entity.

4. PROPERTY AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

Property and Equipment

Property and equipment consisted of the following at December 31, 2024:

| | |
|----------------------------------|------------------|
| Furniture, fixture and equipment | \$ 381,091 |
| Less - accumulated depreciation | <u>(355,090)</u> |
| Property and equipment net | <u>\$ 26,001</u> |

Construction in Progress

As of December 31, 2024, construction in progress includes costs associated with the Organization's renovation of the Realty Project (see Note 3). The construction activities encompass installing new seating and a new sound system, expanding the lobby, upgrading the bathrooms, and refurbishing the marquee. The Realty Project has an estimated total budget of approximately \$37,000,000, funded through capital campaign contributions of approximately \$28,500,000 from the Managing Member (raised by the Theatre), which include approximately \$7,000,000 from the Commonwealth and \$5,750,000 from the City, as well as approximately \$8,500,000 in capital contributions from the Investor Member. The Project is expected to be completed by late 2025, at which time all costs will be placed into service and depreciated. Additionally, the Organization has commitments with BCSB to fund construction costs if needed (see Note 7). Total construction in progress as of December 31, 2024, was \$13,522,840.

During the period of December 31, 2024, \$2,214,765 of construction in progress previously paid for and capitalized by the Theatre were transferred as part of the total capital contributions made to the Managing Member by the Theatre (see Note 3).

5. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges are recorded at their net present value when unconditionally committed. The majority of the grants and pledges receivable are related to the capital campaign for the Realty Project (see Note 4).

The following schedule summarizes grants and pledges receivable as of December 31, 2024:

| | |
|------------------|-------------------|
| Amounts due in: | |
| Within one year | \$ 170,165 |
| One to two years | <u>175,000</u> |
| | <u>\$ 345,165</u> |

There was no discount recorded on grants and pledges receivable as of December 31, 2024, as management has deemed any discount would not be material to the consolidated financial statements. Two donors represent approximately 94% of the total outstanding grants and pledges receivable balance as of December 31, 2024.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

6. RESTRICTED CASH

The balances of restricted cash consist of the following as of December 31, 2024:

| | |
|----------------------------------|---------------------|
| Capital campaign restricted cash | \$ 7,426,546 |
| Operating reserve | <u>999,981</u> |
| Total restricted cash | <u>\$ 8,426,527</u> |

Capital campaign restricted cash is to be used to fund future capital contributions to the Realty Project (see Note 4). These funds are restricted for construction and related costs that will be incurred by Realty.

In accordance with Realty's operating agreement, Realty is required to establish an operating reserve with an initial amount of \$1,000,000. The reserve was funded during the period ended December 31, 2024, with capital contributions and a note payable (see Note 7). The amount is anticipated to be reduced to \$385,178 and will only be used for operations and debt service as outlined in the operating agreement. The balance of the reserve may not exceed twelve months of projected operating expenses and debt service of Realty as defined in the operating agreement. Any withdrawal from this reserve must be approved by the Investor Member.

In connection with notes payable with BCSB, the Organization is required to maintain an interest reserve account which will be used to pay any interest on notes payable (see Note 7). This reserve has not been funded as of December 31, 2024.

7. NOTES PAYABLE

Lines of Credit - The Theatre

The Theatre maintained a demand note payable with a financial institution with a maximum borrowing amount of \$200,000. The note bore interest at the bank's variable prime lending rate minus one percent (1%) on the outstanding balance. During 2024, the outstanding balance of \$18,695 and any remaining interest were paid off in full and the line of credit was closed.

In June 2024, the Theatre entered into a revolving line of credit agreement with BCSB which allows for borrowings up to \$2,000,000. Any drawn of principal and interest are payable monthly at the Secured Overnight Financing Rate (SOFR) (4.49% as of December 31, 2024) plus 2.85%, with a minimum interest rate of 7%. The remaining outstanding principal and interest are due at maturity (July 2026). The line of credit is secured by all business assets on the Theatre and second security interest with land and improvements of the Realty Project. Realty is the guarantor of this note. There was no balance outstanding as of December 31, 2024.

Note Payable - Realty

Non-interest-bearing equity advance from BCSB (Investor Member) which allows for borrowings up to \$849,703. The outstanding balance of the loan will be converted into an equity contribution upon the admission of the Investor Member (anticipated to occur in 2025) (see Note 3). This advance is unsecured. The outstanding balance of this note is \$849,703 as of December 31, 2024.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

7. NOTES PAYABLE (Continued)

Commitments

In connection with the capital renovation project, the Theatre and Realty entered to following commitments to help fund the Realty Project as of December 31, 2024:

The Theatre

- \$5,808,015 note payable to BCSB, with interest payable monthly at the SOFR plus 2.85% (4.49% as of December 31, 2024), subject to a minimum rate of 7%. Principal repayment is required upon receipt of grant funds and capital campaign proceeds, with any remaining outstanding principal and interest due at maturity in December 2026. This note is secured by certain funds that were awarded to the Realty Project as outlined in the agreement. Realty is the guarantor of this note.

Realty

- \$6,891,985 note payable to BCSB, with interest payable monthly at the SOFR (4.49% as of December 31, 2024) plus 2.85%, subject to a minimum rate of 7%. Principal repayment is required upon receipt of Federal and State HTC equity proceeds, with any remaining outstanding principal and interest due at maturity in June 2026. The Managing Member and the Theatre are guarantors of this note. This note is secured by certain funds that were awarded to the capital project as outlined in the agreement, first security interest leasehold mortgage and improvements on the Property, all assignments of rents and leases.

The Organization did not draw on these commitments and, therefore, there are no outstanding balances as of December 31, 2024.

8. DEFERRED REVENUE

Deferred revenue consisted of the following at December 31, 2024:

| | |
|------------------------|-------------------|
| Gift certificates | \$ 130,731 |
| Advance ticket sales | <u>10,173</u> |
| Total deferred revenue | <u>\$ 140,904</u> |

The balance of total deferred revenue as of October 1, 2023, was \$311,878.

9. FACILITY MANAGEMENT AGREEMENT

The Organization managed the performance facility and supporting offices for the City in exchange for the use of the facility. The City entered into a management contract beginning July 1, 2014 through June 30, 2024, for an annual management fee of \$210,000. The contract ended on June 30, 2024, and was not renewed due to the Realty Project starting renovations. The total fee for the period ended December 31, 2024, was \$157,500 and is shown as facility management fee in the accompanying consolidated statement of activities.

The Organization was 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 supported the remaining facility operational and replacement and betterment costs.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

9. FACILITY MANAGEMENT AGREEMENT (Continued)

Subsequent to expiration of the facility agreement, in July 2024, the City and the Organization entered into a supportive agreement in which the City will provide funds to support the general operations of the Organization subject to the City's appropriation through 2031 for an annual amount of \$495,000 in 2024 and \$395,000 from 2027 through 2031. This agreement is accounted for under Topic 958. The Organization received and earned a prorated portion totaling \$247,500 during the period ended December 31, 2024, which is included in grants and contributions in the accompanying consolidated statement of activities.

10. LAND USE AGREEMENT

The Organization entered into a ninety-nine-year agreement with the City for the use of the parcel of land the Property is located on, through June 2123. Payments of \$1 are due annually through the term of the agreement. The cumulative present value of the total lease payments through maturity is immaterial to the overall consolidated financial statements, thus no right-of-use asset or liability has been recognized in accordance with Topic 842, *Leases*. Additional payments are due on demand to the City for any fees or expenses incurred by the City in connection with any event of default, as outlined in the agreement (Additional Payments). Under the terms of the agreement, the Organization is responsible for taxes, utilities and other operating costs associated with the Property (Operating Costs), and the Organization is also required to maintain certain insurance coverage, as outlined in the agreement. The Additional Payments and Operating Costs are variable and are considered to be non-lease components of the agreement.

11. TAX DEFERRED SAVINGS PLAN

The Organization offers a tax deferred savings plan (Savings Incentive Match Plan for Employees IRA) (the 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 hours per week. For the period ended December 31, 2024, the Organization made contributions to the Plan totaling \$32,624 and is included in payroll taxes and benefits in the accompanying consolidated statement of functional expenses.

12. FUNDING AND CONCENTRATIONS

Cash

The Organization maintains its cash deposits at three financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain limits. At certain times during the year, cash balances exceeded the insured amount. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash. Two of the financial institutions are also insured by the Massachusetts Depositors Insurance Fund (DIF) that insures all deposits above federally insured limits.

Funding

The Organization receives a significant portion of its funding from government grants and contracts that are subject to audit by the respective governmental authorities. In the opinion of management, the results of such audits, if any, will not have a material effect on the consolidated financial position of the Organization as of December 31, 2024, or on the results of their operations for the period then ended.

ZEITERION THEATRE, INC. AND AFFILIATES

Notes to Consolidated Financial Statements
December 31, 2024

12. FUNDING AND CONCENTRATIONS (Continued)

Concentrations

As of December 31, 2024, 100% of the government grants and contracts receivable were due from the City and the Commonwealth.

In support of the capital improvement campaign and the historic theatre facility restoration project, the Organization received the following significant contributions or expended the following grants and contracts during the period ended December 31, 2024:

- Contract totaling \$5,000,000 with the City which was fully expended as of December 31, 2024.
- Contracts totaling \$6,000,000 with the Commonwealth, of which approximately \$2,500,000 was expended as of December 31, 2024.
- \$500,000 contribution from a private foundation.

13. CONDITIONAL GRANTS

During the period December 31, 2024, the Organization had a total of committed grants and contributions (including state and government contracts) totaling \$14,720,000 that contained donor-imposed conditions that represent a barrier that must be overcome, as well as a right of return of assets or release from obligations. The Organization recognize these grants and contributions when donor-imposed conditions are substantially met. Conditional promises to give at December 31, 2024, consisted of the following:

| | |
|--|---------------------|
| Incurring qualifying expenses | \$ 4,291,625 |
| Subject to budget appropriation | 2,222,500 |
| Measurable performance barriers and milestones | <u>330,000</u> |
| Total conditional promises to give | <u>\$ 6,844,125</u> |

14. LIQUIDITY

The Organization's financial assets available for general operating use, within one year of the consolidated statement of financial position date, are as follows at December 31, 2024:

| | |
|---|-------------------|
| Cash | \$ 746,070 |
| Government grants and contracts receivable | 1,364,196 |
| Current portion of grants and pledges receivable | <u>170,165</u> |
| | 2,280,431 |
| Less - amount which will be used for capital | <u>1,489,196</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 791,235</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Management regularly monitors the availability of resources required to manage liquidity, using a variety of reports and practices to manage asset-liability matching and proactively identify liquidity concerns.

ZEITERION THEATRE, INC. AND AFFILIATESNotes to Consolidated Financial Statements
December 31, 2024

15. PRIOR PERIOD ADJUSTMENT

The Organization discovered during the period ended December 31, 2024, certain costs that were expensed as of September 30, 2023, that should have been capitalized as they were related to the Realty Project's renovation. Consolidated net assets as of September 30, 2023, have been restated as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|--|---|----------------------|
| Net assets, September 30, 2023, as previously stated | \$ 2,305,544 | \$ 7,199,397 | \$ 9,504,941 |
| To properly classify expenses that should have been recorded as capitalized assets on the consolidated statement of financial position | <u>863,044</u> | <u>-</u> | <u>863,044</u> |
| Net assets, September 30, 2023, as restated | <u>\$ 3,168,588</u> | <u>\$ 7,199,397</u> | <u>\$ 10,367,985</u> |

ZEITERION THEATRE, INC. AND AFFILIATES

Supplementary Consolidating Statement of Financial Position
December 31, 2024

| Assets | Zeiterion Theatre, Inc. | Zeiterion Realty MM LLC | Zeiterion Realty LLC | Eliminations | Total |
|--|----------------------------|-------------------------------|-------------------------|--------------|---------------|
| Current Assets: | | | | | |
| Cash | \$ 745,869 | \$ 201 | \$ - | \$ - | \$ 746,070 |
| Government grants and contracts receivable | 1,364,196 | - | - | - | 1,364,196 |
| Current portion of grants and pledges receivable | 170,165 | - | - | - | 170,165 |
| Prepaid expenses and other | 43,789 | - | - | - | 43,789 |
| Total current assets | 2,324,019 | 201 | - | - | 2,324,220 |
| Other Assets: | | | | | |
| Grant and pledges receivable, net current portion | 175,000 | - | - | - | 175,000 |
| Restricted cash | 7,426,546 | - | 999,981 | - | 8,426,527 |
| Property and equipment, net | 26,001 | - | - | - | 26,001 |
| Construction in progress | - | - | 13,522,840 | - | 13,522,840 |
| Total other assets | 7,627,547 | - | 14,522,821 | - | 22,150,368 |
| Total assets | \$ 9,951,566 | \$ 201 | \$ 14,522,821 | \$ - | \$ 24,474,588 |
| Liabilities and Net Assets | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable and accrued expenses - operating | \$ 158,514 | \$ - | \$ - | \$ - | \$ 158,514 |
| Deferred revenue | 140,904 | - | - | - | 140,904 |
| Total current liabilities | 299,418 | - | - | - | 299,418 |
| Long-Term Liabilities: | | | | | |
| Accounts payable and accrued expenses - construction | - | - | 1,867,578 | - | 1,867,578 |
| Note payable | - | - | 849,703 | - | 849,703 |
| Total long-term liabilities | - | - | 2,717,281 | - | 2,717,281 |
| Total liabilities | 299,418 | - | 2,717,281 | - | 3,016,699 |
| Net Assets: | | | | | |
| Without donor restrictions | 516,241 | 201 | 11,805,540 | - | 12,321,982 |
| With donor restrictions | 9,135,907 | - | - | - | 9,135,907 |
| Total net assets | 9,652,148 | 201 | 11,805,540 | - | 21,457,889 |
| Total liabilities and net assets | \$ 9,951,566 | \$ 201 | \$ 14,522,821 | \$ - | \$ 24,474,588 |

ZEITERION THEATRE, INC. AND AFFILIATES

Supplementary Consolidating Statement of Activities
For the Fifteen Months Ended December 31, 2024

| | Zeiterion Theatre, Inc. | Zeiterion Realty MM LLC | Zeiterion Realty LLC | Eliminations | Total |
|--|----------------------------|-------------------------------|-------------------------|----------------------|----------------------|
| Changes in Net Assets Without Donor Restrictions: | | | | | |
| Operating revenues: | | | | | |
| Grants and contributions | \$ 1,278,594 | \$ - | \$ - | \$ - | \$ 1,278,594 |
| Admission revenue | 333,153 | - | - | - | 333,153 |
| Rental income | 169,629 | - | - | - | 169,629 |
| Facility management fee | 157,500 | - | - | - | 157,500 |
| Interest and other | 136,154 | 201 | - | - | 136,355 |
| Concession and advertising sales | 28,419 | - | - | - | 28,419 |
| Net assets released from purpose restrictions | 409,378 | - | - | - | 409,378 |
| Net assets released from time restrictions | 25,000 | - | - | - | 25,000 |
| Total operating revenues | <u>2,537,827</u> | <u>201</u> | <u>-</u> | <u>-</u> | <u>2,538,028</u> |
| Operating expenses: | | | | | |
| Personnel and related: | | | | | |
| Salaries | 1,753,581 | - | - | - | 1,753,581 |
| Payroll taxes and benefits | 301,232 | - | - | - | 301,232 |
| Total personnel and related | <u>2,054,813</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,054,813</u> |
| Occupancy: | | | | | |
| Property insurance | 23,258 | - | - | - | 23,258 |
| Repairs and maintenance | 8,946 | - | - | - | 8,946 |
| Total occupancy | <u>32,204</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>32,204</u> |
| Other: | | | | | |
| Professional fees | 241,511 | - | - | - | 241,511 |
| Licensing fees and information technology | 153,300 | - | - | - | 153,300 |
| Artist fees | 151,896 | - | - | - | 151,896 |
| Supplies and equipment | 126,177 | - | - | - | 126,177 |
| Advertising and promotion | 109,045 | - | - | - | 109,045 |
| Contract labor | 93,704 | - | - | - | 93,704 |
| Office expense and other | 59,692 | - | - | - | 59,692 |
| Transportation and hospitality | 51,597 | - | - | - | 51,597 |
| Miscellaneous | 44,904 | - | - | - | 44,904 |
| Bank and credit card fees | 31,036 | - | - | - | 31,036 |
| Telephone | 30,915 | - | - | - | 30,915 |
| Conferences | 10,430 | - | - | - | 10,430 |
| Total other | <u>1,104,207</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,104,207</u> |
| Total operating expenses before depreciation | 3,191,224 | - | - | - | 3,191,224 |
| Depreciation | 31,971 | - | - | - | 31,971 |
| Total operating expenses | <u>3,223,195</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,223,195</u> |
| Changes in net assets without donor restrictions from operations | <u>(685,368)</u> | <u>201</u> | <u>-</u> | <u>-</u> | <u>(685,167)</u> |
| Other revenue (expenses): | | | | | |
| Developer fee revenue | 2,200,000 | - | - | - | 2,200,000 |
| Provision for uncollectable investment in affiliate | (11,805,540) | (11,805,540) | - | 23,611,080 | - |
| Net assets released from capital restrictions | 7,638,561 | - | - | - | 7,638,561 |
| Total other revenue (expenses) | <u>(1,966,979)</u> | <u>(11,805,540)</u> | <u>-</u> | <u>23,611,080</u> | <u>9,838,561</u> |
| Changes in net assets without donor restrictions | <u>(2,652,347)</u> | <u>(11,805,339)</u> | <u>-</u> | <u>23,611,080</u> | <u>9,153,394</u> |
| Changes in Net Assets With Donor Restrictions: | | | | | |
| Capital grants and contributions | 10,009,449 | - | - | - | 10,009,449 |
| Net assets released from time restrictions | (25,000) | - | - | - | (25,000) |
| Net assets released from purpose restrictions | (409,378) | - | - | - | (409,378) |
| Net assets released from capital restrictions | (7,638,561) | - | - | - | (7,638,561) |
| Changes in net assets with donor restrictions | <u>1,936,510</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,936,510</u> |
| Changes in net assets | <u>\$ (715,837)</u> | <u>\$ (11,805,339)</u> | <u>\$ -</u> | <u>\$ 23,611,080</u> | <u>\$ 11,089,904</u> |

Supplementary Consolidating Statement of Changes Net Assets
For the Fifteen Months Ended December 31, 2024

| | Zeiterion Theatre, Inc. | | | Zeiterion Realty MM LLC | Zeiterion Realty LLC | Eliminations | Total |
|---|----------------------------------|-------------------------------|---------------------|-------------------------------|-------------------------|--------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | | | | |
| Net Assets , September 30, 2023, as previously stated | \$ 2,305,544 | \$ 7,199,397 | \$ 9,504,941 | \$ - | \$ - | \$ - | \$ 9,504,941 |
| Prior period adjustment | 863,044 | - | 863,044 | - | - | - | 863,044 |
| Net Assets , September 30, 2023, as restated | 3,168,588 | 7,199,397 | 10,367,985 | - | - | - | 10,367,985 |
| Capital contributions | - | - | - | 11,805,540 | 11,805,540 | (23,611,080) | - |
| Changes in net assets | (2,652,347) | 1,936,510 | (715,837) | (11,805,339) | - | 23,611,080 | 11,089,904 |
| Net Assets , December 31, 2024 | <u>\$ 516,241</u> | <u>\$ 9,135,907</u> | <u>\$ 9,652,148</u> | <u>\$ 201</u> | <u>\$ 11,805,540</u> | <u>\$ -</u> | <u>\$ 21,457,889</u> |