

**Main Street Theater Houston**

Financial Statements  
and Independent Auditors' Report  
for the years ended August 31, 2025 and 2024

# Main Street Theater Houston

## Table of Contents

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	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position as of August 31, 2025 and 2024	3
Statement of Activities for the year ended August 31, 2025	4
Statement of Activities for the year ended August 31, 2024	5
Statements of Functional Expenses for the years ended August 31, 2025 and 2024	6
Statements of Cash Flows for the years ended August 31, 2025 and 2024	7
Notes to Financial Statements for the years ended August 31, 2025 and 2024	8

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## **Independent Auditors' Report**

To the Board of Directors of  
Main Street Theater Houston:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Main Street Theater Houston, which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Main Street Theater Houston as of August 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Main Street Theater Houston 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.

#### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, Main Street Theater Houston has suffered recurring losses from operations and has a deficiency in working capital. Management's evaluation of the events, conditions and management's plans to mitigate this matter are also described in Note 2. 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 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 Main Street Theater Houston's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Main Street Theater Houston'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 Main Street Theater Houston'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.

*Blazek & Vetterling*

March 12, 2026

# Main Street Theater Houston

Statements of Financial Position as of August 31, 2025 and 2024

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	<u>2025</u>	<u>2024</u>
ASSETS		
Cash	\$ 115,966	\$ 157,471
Prepaid expenses and other assets	89,334	72,521
Contributions receivable	55,878	133,272
Cash restricted for capital expenditures	26,500	26,500
Operating lease right-of-use assets <i>(Note 3)</i>	174,218	271,789
Property, net <i>(Note 4)</i>	<u>2,233,435</u>	<u>2,280,540</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,695,331</u></b>	<b><u>\$ 2,942,093</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 118,608	\$ 177,279
Deferred revenue from ticket sales and tuition	173,715	249,360
Notes payable <i>(Note 5)</i>	1,025,672	1,064,616
Operating lease liabilities <i>(Note 3)</i>	<u>177,458</u>	<u>274,309</u>
Total liabilities	<u>1,495,453</u>	<u>1,765,564</u>
Net assets:		
Without donor restrictions	1,082,261	901,162
With donor restrictions <i>(Note 6)</i>	<u>117,617</u>	<u>275,367</u>
Total net assets	<u>1,199,878</u>	<u>1,176,529</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,695,331</u></b>	<b><u>\$ 2,942,093</u></b>

*See accompanying notes to financial statements.*

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## Main Street Theater Houston

Statement of Activities for the year ended August 31, 2025

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 667,094	\$ 315,350	\$ 982,444
Government grant <i>(Note 7)</i>	212,950		212,950
Ticket sales	1,286,607		1,286,607
Tuition and fees	429,526		429,526
Other income	<u>75,337</u>		<u>75,337</u>
Total revenue	2,671,514	315,350	2,986,864
Net assets released from restrictions:			
Satisfaction of program restrictions	195,000	(195,000)	
Satisfaction of time restrictions	<u>278,100</u>	<u>(278,100)</u>	
Total	<u>3,144,614</u>	<u>(157,750)</u>	<u>2,986,864</u>
EXPENSES:			
Program services	2,436,641		2,436,641
Marketing and sales	207,856		207,856
Management and general	288,139		288,139
Fundraising	<u>30,879</u>		<u>30,879</u>
Total expenses	<u>2,963,515</u>		<u>2,963,515</u>
CHANGES IN NET ASSETS	181,099	(157,750)	23,349
Net assets, beginning of year	<u>901,162</u>	<u>275,367</u>	<u>1,176,529</u>
Net assets, end of year	<u>\$ 1,082,261</u>	<u>\$ 117,617</u>	<u>\$ 1,199,878</u>

*See accompanying notes to financial statements.*

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## Main Street Theater Houston

Statement of Activities for the year ended August 31, 2024

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 820,615	\$ 235,000	\$ 1,055,615
Ticket sales	1,308,155		1,308,155
Tuition and fees	450,142		450,142
Other income	<u>116,761</u>		<u>116,761</u>
Total revenue	2,695,673	235,000	2,930,673
Net assets released from restrictions:			
Satisfaction of program restrictions	148,550	(148,550)	
Satisfaction of time restrictions	<u>227,586</u>	<u>(227,586)</u>	
Total	<u>3,071,809</u>	<u>(141,136)</u>	<u>2,930,673</u>
EXPENSES:			
Program services	2,890,008		2,890,008
Marketing and sales	278,410		278,410
Management and general	295,489		295,489
Fundraising	<u>57,529</u>		<u>57,529</u>
Total expenses	<u>3,521,436</u>		<u>3,521,436</u>
CHANGES IN NET ASSETS	(449,627)	(141,136)	(590,763)
Net assets, beginning of year	<u>1,350,789</u>	<u>416,503</u>	<u>1,767,292</u>
Net assets, end of year	<u>\$ 901,162</u>	<u>\$ 275,367</u>	<u>\$ 1,176,529</u>

*See accompanying notes to financial statements.*

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## Main Street Theater Houston

### Statements of Functional Expenses for the years ended August 31, 2025 and 2024

	PROGRAM SERVICES	MARKETING AND SALES	MANAGEMENT AND GENERAL	FUNDRAISING	2025 TOTAL
Compensation and related costs	\$ 1,526,204	\$ 124,278	\$ 119,639	\$ 19,320	\$ 1,789,441
Rent	314,120	6,240	4,680	4,680	329,720
Production supplies	166,624				166,624
Depreciation	137,887				137,887
Royalties	117,263				117,263
Professional services		19,200	62,242	41	81,483
Postage and printing	25,559	25,559	2,975	3,177	57,270
Bank service fees			56,034		56,034
Insurance	25,663	1,275	28,661	198	55,797
Supplies	39,944		7,375	803	48,122
Interest	38,595				38,595
Advertising		29,093	89	587	29,769
Utilities	24,312	2,211	2,128	344	28,995
Repairs	13,182				13,182
Other	7,288		4,316	1,729	13,333
Total expenses	<u>\$ 2,436,641</u>	<u>\$ 207,856</u>	<u>\$ 288,139</u>	<u>\$ 30,879</u>	<u>\$ 2,963,515</u>

	PROGRAM SERVICES	MARKETING AND SALES	MANAGEMENT AND GENERAL	FUNDRAISING	2024 TOTAL
Compensation and related costs	\$ 1,811,417	\$ 129,005	\$ 120,407	\$ 21,836	\$ 2,082,665
Rent	316,103	6,240	4,802	4,680	331,825
Production supplies	280,176				280,176
Depreciation	120,655				120,655
Royalties	151,162				151,162
Professional services		35,365	54,663	19,545	109,573
Postage and printing	53,236	53,236	4,492	3,566	114,530
Bank service fees			65,431		65,431
Insurance	18,012	1,127	25,890	191	45,220
Supplies	37,158	76	10,617	1,002	48,853
Interest	27,475				27,475
Advertising		50,919	129	3,043	54,091
Utilities	30,296	2,442	2,272	413	35,423
Repairs	35,370				35,370
Other	8,948		6,786	3,253	18,987
Total expenses	<u>\$ 2,890,008</u>	<u>\$ 278,410</u>	<u>\$ 295,489</u>	<u>\$ 57,529</u>	<u>\$ 3,521,436</u>

*See accompanying notes to financial statements.*

## Main Street Theater Houston

### Statements of Cash Flows for the years ended August 31, 2025 and 2024

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	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 23,349	\$ (590,763)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	137,887	120,655
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(16,813)	51,123
Contributions receivable	77,394	84,231
Operating lease right-of-use assets	97,571	95,230
Accounts payable and accrued expenses	(58,671)	107,577
Deferred revenue	(75,645)	(6,619)
Operating lease liabilities	<u>(96,851)</u>	<u>(93,430)</u>
Net cash provided (used) by operating activities	<u>88,221</u>	<u>(231,996)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property	<u>(90,782)</u>	<u>(6,257)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds of notes payable	139,283	150,000
Repayments of notes payable	<u>(178,227)</u>	<u>(25,004)</u>
Net cash provided (used) by financing activities	<u>(38,944)</u>	<u>124,996</u>
<b>NET CHANGE IN CASH</b>	<b>(41,505)</b>	<b>(113,257)</b>
Cash, beginning of year	<u>183,971</u>	<u>297,228</u>
Cash, end of year	<u>\$ 142,466</u>	<u>\$ 183,971</u>
<i>Reconciliation of cash balances:</i>		
Cash	\$ 115,966	\$ 157,471
Cash restricted for capital expenditures	<u>26,500</u>	<u>26,500</u>
Total cash	<u>\$ 142,466</u>	<u>\$ 183,971</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$38,595	\$27,475

*See accompanying notes to financial statements.*

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## Main Street Theater Houston

Notes to Financial Statements for the years ended August 31, 2025 and 2024

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### NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Main Street Theater Houston (the Theater) is a nonprofit theatrical organization located in Houston, Texas. The Theater was organized in 1975 to provide a wide variety of dramatic literature and theatrical innovation. In addition, the Theater provides an opportunity for artists living in the Houston area to showcase and develop their talents.

Federal income tax status – The Theater is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. At August 31, 2025, contributions receivable are due within one year.

Operating lease right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term. The Theater has elected to not apply the recognition requirements in Accounting Standards Codification Topic 842 to short-term leases with an initial lease term of less than one year. Instead, these leases are recognized as expense on a straight-line basis over the lease term. The Theater elected to use its increment borrowing rate as the discount rate when the rate implicit in a lease is not readily determinable.

Property is reported at cost, if purchased, or at fair value at the date of gift, if donated. The Theater capitalizes additions and improvements with a cost of more than \$1,000 and an estimated useful life of more than one year. Depreciation is provided on a straight-line basis over estimated useful lives of 5 to 39 years for building and improvements, and 3 to 15 years for furniture and equipment.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions and government grants are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions and government grants received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions and government grants are subject to one or more barriers that must be overcome before the Theater is entitled to receive or retain funding. Conditional contributions and government grants are recognized as revenue at fair value when the conditions have been substantially met. Funding received before conditions are met is reported as a refundable advance.

Ticket sales are derived from season subscription ticket holders and individual ticket sales for performances for which the Theater has a performance obligation to the ticket holder. Subscription fees are due prior to the Theater season and individual ticket sales are due at the point of sale. Subscriptions are recognized over the Theater season using the output method as performances occur. Individual ticket sales are recognized at the point in time of the performance. Subscriptions and ticket sales collected in advance for the future season performances are reported as deferred revenue. There were no assets related to ticket sales as of August 31, 2025, 2024, or 2023. Deferred revenue from ticket sales was \$141,608, \$224,970, and \$226,329 at August 31, 2025, 2024, and 2023, respectively.

Tuition and fees are derived from providing skills and performance classes, camps, and after-school enrichment classes and are recognized ratably over time as those services are provided. Scholarships reduce the amount of consideration the Theater expects to be entitled to receive, and the tuition and fees are presented net of scholarships. Tuition and fees are due upon registration of classes and camps unless payment plans have been arranged on a case by case basis. Tuition and fees collected in advance are deferred until performance obligations are met in the following fiscal year. As a practical expedient, the Theater considers registration fees to be immaterial and accordingly, they are not disaggregated from tuition and fees. Tuition and fees receivable were \$0, \$9,044 and \$3,650 at August 31, 2025, 2024, and 2023, respectively. Deferred revenue from tuition and fees was \$32,107, \$24,390 and \$29,650 at August 31, 2025, 2024, and 2023, respectively.

Advertising costs are expensed as incurred.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Marketing and sales activities include solicitation of ticket sales and tuition. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Compensation and related costs are allocated on the basis of estimated time and effort expended. Facility costs are allocated based on usage of related facilities.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of August 31 comprise the following:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash	\$ 142,466	\$ 183,971
Contributions receivable	<u>55,878</u>	<u>133,272</u>
Total financial assets	198,344	317,243
Less financial assets not available for general expenditure:		
Cash restricted for capital expenditures	<u>(26,500)</u>	<u>(26,500)</u>
Total financial assets available for general expenditure	<u>\$ 171,844</u>	<u>\$ 290,743</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Theater considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Theater is substantially supported by contributions, ticket sales and tuition and fees revenue, and regularly monitors liquidity required to meet its operating needs.

The Theater has incurred recurring operating losses and has a deficiency in working capital of approximately \$462,000 as of August 31, 2025. Management has undertaken actions intended to mitigate these conditions. Management has increased board engagement in fundraising efforts and adopted a balanced operating budget by right-sizing the number of performances to better align ticket revenue with production expenses while seeking to maintain program quality. The Theater has also reduced operating expenses through the elimination of three full-time positions, reductions in employee benefits, and implementation of enhanced cost-control and oversight procedures. In addition, the lender has extended the maturity date of the note payable from October 2026 to October 2027. Management believes the Theater will be able to continue to meet its obligations through this comprehensive plan of increasing support and reducing costs.

### NOTE 3 – OPERATING LEASES

At August 31, 2025, operating lease right-of-use assets and lease liabilities include facility leases for storing and sharing costumes and building scenery for the Theater. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

Lease costs associated with operating leases for the year ended August 31 are as follows:

	<u>2025</u>	<u>2024</u>
Short-term lease costs	\$ 222,560	\$ 224,665
Operating lease costs	107,160	107,160
Sublease revenue	<u>(16,515)</u>	<u>(33,600)</u>
Total lease costs	<u>\$ 313,205</u>	<u>\$ 298,225</u>

At August 31, 2025, the remaining commitment on short-term leases is approximately \$107,500.

The Theater has subleased the costume storage and sharing facility to a non-profit organization for \$16,515 and \$33,600 during 2025 and 2024, respectively.

Cash paid for amounts included in the measurement of operating lease liabilities was \$106,440 and \$105,360 during the years ended August 31, 2025 and 2024, respectively.

The weighted-average term and discount rate for the operating leases outstanding as of August 31:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term	26 months	36 months
Weighted-average discount rate	4.31%	4.34%

Future payments due under operating leases as of August 31, 2025 are as follows:

2026	\$ 98,120
2027	52,200
2028	<u>35,280</u>
Total minimum lease payments	185,600
Less discount to present value	<u>(8,142)</u>
Total lease liabilities recognized	<u>\$ 177,458</u>

**NOTE 4 – PROPERTY**

Property is comprised of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 216,000	\$ 216,000
Building and improvements	3,340,465	3,329,965
Furniture and equipment	<u>295,875</u>	<u>215,593</u>
Total property, at cost	3,852,340	3,761,558
Accumulated depreciation	<u>(1,618,905)</u>	<u>(1,481,018)</u>
Property, net	<u>\$ 2,233,435</u>	<u>\$ 2,280,540</u>

**NOTE 5 – NOTES PAYABLE**

The Theater has a mortgage note payable that bears interest at 2.5%. The principal and interest are due in monthly installments of \$4,090, with the remaining principal and accrued interest due at maturity on October 31, 2027. At August 31, 2025, the outstanding principal balance is \$891,696. The loan is collateralized by property.

The Theater has a \$200,000 loan agreement with a bank where the loan advances will be used for business operations. The loan bears interest at prime rate plus 1.75% (9.25% at August 31, 2025). The interest is due monthly, with the remaining principal and accrued interest due at maturity on March 13, 2026. The loan is secured by real property and all assets of the Theater. At August 31, 2025, the outstanding principal balance is \$100,000.

In January 2025, the Theater financed the purchase of a vehicle with a bank with interest rate at 9.99%. The principal and interest are due in monthly installments of \$1,000, with remaining principal and accrued interest due at maturity date on January 2029. At August 31, 2025, the outstanding principal balance is \$33,976. The loan is collateralized by the vehicle.

Future principal payments are due as follows:

2026	\$ 136,160
2027	874,505
2028	10,995
2029	<u>4,012</u>
Total notes payable	<u>\$ 1,025,672</u>

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted as follows:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Production sponsorship	\$ 30,750	
The Charles and Betti Saunders Green Room	<u>26,500</u>	<u>\$ 26,500</u>
Total subject to expenditure for specified purpose	57,250	26,500
Subject to passage of time:		
Contributions restricted for future operations	<u>60,367</u>	<u>248,867</u>
Total net assets with donor restrictions	<u>\$ 117,617</u>	<u>\$ 275,367</u>

**NOTE 7 – GOVERNMENT GRANT**

During 2021, the Theater applied for an Employee Retention Tax Credit grant through the Internal Revenue Service (IRS). The grant was conditional upon approval by the IRS. During 2025, \$212,950 was approved and the Theater has recognized and government grant revenue.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 12, 2026, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than as disclosed in Note 2 were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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