

Cygnets Theatre Company

Financial Statements  
and Independent Auditor's Report

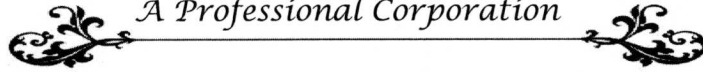
For the Year Ended June 30, 2025

## Table of Contents

|   |      |
|---|------|
| Independent Auditor's Report.....       | 1-2  |
| Financial Statements:                   |      |
| Statement of Financial Position.....    | 3    |
| Statement of Activities .....           | 4    |
| Statement of Cash Flows .....           | 5    |
| Statement of Functional Expenses.....   | 6    |
| Notes to the Financial Statements ..... | 7-17 |

# *A M Owens, CPA*

*A Professional Corporation*



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cygnet Theatre Company

### **Opinion**

I have audited the accompanying financial statements of Cygnet Theatre Company, (a nonprofit corporation), which comprise the balance sheet as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cygnet Theatre Company as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Cygnet Theatre Company and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cygnet Theatre Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, I:
- 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 Cygnet Theatre Company'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cygnet Theatre Company's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

*A M Owens, CPA*

A M Owens, CPA  
A Professional Corporation

Lakeside, CA  
January 21, 2026

**Cygnets Theatre Company**  
Statement of Financial Position  
June 30, 2025  
(With Comparative Totals as of June 30, 2024)

|  | <u>2025</u>  | <u>2024</u>  |
|--|--------------|--------------|
| <b>ASSETS</b>                              |              |              |
| Cash and cash equivalents                  | \$           | \$           |
| Without Donor Restrictions                 | 838,368      | 176,546      |
| With Donor Restrictions                    | 59,859       | 149,693      |
| Accounts receivable (Note 13)              |              |              |
| Without Donor Restrictions                 | 189,952      | 1,075,238    |
| With Donor Restrictions                    | 2,970,000    | 250,000      |
| Prepaid expenses                           | 183,704      | 224,407      |
| Inventory                                  | 4,899        | 7,747        |
| Net property and equipment (Note 2)        | 147,470      | 134,988      |
| Investments With Donor Restrictions        | 1,716,506    | 0            |
| Deferred compensation investments (Note 9) | 141,545      | 94,793       |
| Deposits                                   | 15,632       | 24,342       |
| Right of use asset                         | 7,038        | 3,516        |
|  | \$ 6,274,973 | \$ 2,141,270 |
|  | \$ 6,274,973 | \$ 2,141,270 |
| <b>LIABILITIES</b>                         |              |              |
| Accounts payable                           | \$ 204,430   | \$ 183,642   |
| Accrued wages and expense                  | 54,796       | 29,526       |
| Vacations payable                          | 81,286       | 73,272       |
| Advanced ticket sales (Note 3)             | 647,628      | 455,135      |
| Deferred Income                            | 42,500       | 0            |
| SBA EIDL                                   | 490,635      | 508,459      |
| Lease liability                            | 7,038        | 3,516        |
|  | 1,528,313    | 1,253,550    |
|  | 1,528,313    | 1,253,550    |
| <b>NET ASSETS</b>                          |              |              |
| Without Donor Restrictions                 | ( 246,232 )  | 486,401      |
| With Donor Restrictions                    | 4,992,892    | 401,319      |
|  | 4,746,660    | 887,720      |
|  | 4,746,660    | 887,720      |
| Total Liabilities and Net Assets           | \$ 6,274,973 | \$ 2,141,270 |
|  | \$ 6,274,973 | \$ 2,141,270 |

See the Accompanying Notes to the Financial Statements.

**Cygnets Theatre Company**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2025**  
**(With Comparative Totals as of June 30, 2024)**

|  | <u>Without Donor</u><br><u>Restrictions</u> | <u>With Donor</u><br><u>Restrictions</u> | <u>Total</u><br><u>2025</u> | <u>2024</u>  |
|--|---|--|-----------------------------|--------------|
| <b>SUPPORT AND REVENUE</b>                       |   |  |                             |              |
| Contributions                                    | \$ 1,183,540                                | \$ 4,724,483                             | \$ 5,908,023                | \$ 1,571,599 |
| Special Events                                   | 21,726                                      | 0  | 21,726                      | 53,892       |
| (less expenses of \$210,718)                     |   |  |                             |              |
| Government Grants                                | 0   | 161,308                                  | 161,308                     | 132,243      |
| Investment Income                                | 29,056                                      | 76,365                                   | 105,421                     | 17,978       |
| Ticket Sales                                     | 1,344,359                                   | 0  | 1,344,359                   | 1,369,172    |
| Concession and other                             | 129,237                                     | 0  | 129,237                     | 91,334       |
| NTC Expense Reimbursement                        | 0   | 0  | 0                           | 96,486       |
|  | 2,707,918                                   | 4,962,156                                | 7,670,074                   | 3,332,704    |
| Net Assets Released from Restrictions            | 370,583                                     | ( 370,583 )                              | 0                           | 0            |
|  | 3,078,501                                   | 4,591,573                                | 7,670,074                   | 3,332,704    |
| <b>EXPENSES</b>                                  |   |  |                             |              |
| Program  | 3,033,489                                   | 0  | 3,033,489                   | 2,612,644    |
| General and administrative                       | 249,280                                     | 0  | 249,280                     | 348,707      |
| Fundraising                                      | 528,365                                     | 0  | 528,365                     | 425,671      |
|  | 3,811,134                                   | 0  | 3,811,134                   | 3,387,022    |
| Excess of Support and Revenue<br>over (Expenses) | ( 732,633 )                                 | 4,591,573                                | 3,858,940                   | ( 54,318 )   |
| Net Assets at Beginning of Year                  | 486,401                                     | 401,319                                  | 887,720                     | 942,038      |
|  | \$ ( 246,232 )                              | \$ 4,992,892                             | \$ 4,746,660                | \$ 887,720   |
| Net Assets at End of Year                        | \$ ( 246,232 )                              | \$ 4,992,892                             | \$ 4,746,660                | \$ 887,720   |

See the Accompanying Notes to the Financial Statements.

**Cygnets Theatre Company**  
Statement of Cash Flows  
For the Year Ended June 30, 2025  
(With Comparative Totals as of June 30, 2024)

|  | <u>2025</u>   | <u>2024</u>   |
|--|---------------|---------------|
| <b>Cash Flows from Operating Activities</b>  |               |               |
| Excess of support and revenue over expenses  | \$ 3,858,940  | \$ ( 54,318 ) |
| Adjustments to reconcile change in net assets<br>to net cash provided by operations: |               |               |
| Depreciation   | 52,809        | 48,222        |
| (Increase) Decrease in operating assets  |               |               |
| Accounts Receivable  | ( 1,834,714 ) | 14,282        |
| Prepaid expenses   | 40,703        | ( 144,046 )   |
| Deposits   | 8,710         | 0             |
| Inventory  | 2,848         | 2,467         |
| Right of use   | ( 3,522 )     | 1,524         |
| Increase (Decrease) in operating liabilities   |               |               |
| Accounts payable   | 20,788        | 130,154       |
| Accrued wages  | 25,270        | 1,788         |
| Vacations payable  | 8,014         | ( 6,767 )     |
| Future ticket sales  | 192,493       | 33,751        |
| Deferred income  | 42,500        |               |
|  | 2,414,839     | 27,057        |
| <b>Cash flows from investing activities</b>  |               |               |
| Purchase of investments  | ( 1,776,365 ) | ( 47,493 )    |
| Purchase of property and equipment   | ( 65,291 )    | ( 47,493 )    |
| 457B retirement investments  | ( 46,752 )    | ( 27,498 )    |
|  | ( 1,888,408 ) | ( 74,991 )    |
| <b>Cash flows from financing activities</b>  |               |               |
| Repayment of long-term borrowings  | ( 14,302 )    | ( 13,814 )    |
|  | ( 14,302 )    | ( 13,814 )    |
| Net (decrease) increase in cash  | 571,989       | ( 61,748 )    |
| Cash balances at beginning of year   | 326,238       | 387,986       |
| Cash balances at end of year   | \$ 898,227    | \$ 326,238    |
| <b>Supplemental Information:</b>   |               |               |
| Interest Paid  | \$ 8,927      | \$ 14,372     |
| Taxes Paid   | \$ 0          | \$ 0          |

See the Accompanying Notes to the Financial Statements.

**Cygnets Theatre Company**  
**Statement of Functional Expense**  
**For the Year Ended June 30, 2025**  
(With Comparative Totals as of June 30, 2024)

|                                 | <u>Program</u> | <u>General &amp;<br/>Administrative</u> | <u>Fundraising</u> | <u>Total<br/>2025</u> | <u>Total<br/>2024</u> |
|---------------------------------|----------------|---|--------------------|-----------------------|-----------------------|
| Salaries                        | \$ 1,644,587   | \$ 127,564                              | \$ 352,190         | \$ 2,124,341          | \$ 1,818,067          |
| Employee benefits               | 123,493        | 9,579                                   | 26,446             | 159,518               | 206,704               |
| Payroll taxes                   | 147,450        | 11,437                                  | 31,577             | 190,464               | 150,322               |
| Depreciation                    | 49,120         | 2,310                                   | 1,379              | 52,809                | 46,698                |
| Contract services               | 11,359         | 881                                     | 2,432              | 14,672                | 13,160                |
| Production expenses             | 311,780        | 0                                       | 0                  | 311,780               | 348,269               |
| Occupancy                       | 207,514        | 62,030                                  | 6,893              | 276,437               | 252,590               |
| Supplies                        | 22,895         | 10,122                                  | 999                | 34,016                | 37,281                |
| Repairs and maintenance         | 37,694         | 738                                     | 0                  | 38,432                | 31,527                |
| Marketing and promotion         | 287,480        | 1,596                                   | 44,597             | 333,673               | 235,004               |
| Printing and reproduction       | 15,273         | 0                                       | 2,551              | 17,824                | 15,669                |
| Postage                         | 13,797         | 29                                      | 4,895              | 18,721                | 17,221                |
| Insurance                       | 11,306         | 1,330                                   | 665                | 13,301                | 10,450                |
| Professional fees               | 0              | 8,000                                   | 0                  | 8,000                 | 7,550                 |
| Service fees                    | 67,774         | 0                                       | 0                  | 67,774                | 53,194                |
| Volunteer/Staff devel.          | 6,547          | 2,149                                   | 0                  | 8,696                 | 8,287                 |
| Dues and subscriptions          | 5,932          | 742                                     | 742                | 7,416                 | 6,674                 |
| Taxes/licenses/permits          | 2,555          | 338                                     | 0                  | 2,893                 | 1,141                 |
| Equipment Purchases - Grants    | 5,000          | 0                                       | 0                  | 5,000                 | 0                     |
| Interest Expense                | 0              | 8,927                                   | 0                  | 8,927                 | 14,372                |
| Cost of concessions             | 41,874         | 0                                       | 0                  | 41,874                | 38,632                |
| Capital Campaign                | 0              | 0                                       | 52,999             | 52,999                | 72,686                |
| Scholarships                    | 20,059         | 0                                       | 0                  | 20,059                | 0                     |
| Right of use asset depreciation | 0              | 1,508                                   | 0                  | 1,508                 | 1,524                 |
|                                 | <hr/>          | <hr/>                                   | <hr/>              | <hr/>                 | <hr/>                 |
| Total Expenses                  | \$ 3,033,489   | \$ 249,280                              | \$ 528,365         | \$ 3,811,134          | \$ 3,387,022          |
|                                 | <hr/> <hr/>    | <hr/> <hr/>                             | <hr/> <hr/>        | <hr/> <hr/>           | <hr/> <hr/>           |

See the Accompanying Notes to the Financial Statements.

**Cygnnet Theatre Company**  
Notes to Financial Statements  
For the Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies

General

Cygnnet Theatre Company was incorporated in December 2002 under the laws of the State of California as a nonprofit public benefit corporation. Cygnnet is dedicated to producing imaginative, socially relevant, and emotionally resonant theatrical work. Since its founding in 2002, Cygnnet has grown from a small ensemble theater into one of the region's leading cultural institutions and is now the third-largest self-producing theater in San Diego County. The organization operates under a democratic governance model with a volunteer Board of Directors and is led by an Artistic Director and an Executive Director, supported by a professional full- and part-time staff.

Cygnnet Theatre's core programming centers on the production of high-quality professional theatre, including classic works, contemporary plays, new works, and musicals. Productions are selected for their artistic excellence and their ability to foster dialogue around social, cultural, and human issues, reinforcing Cygnnet's mission to engage diverse audiences through powerful storytelling.

In July 2025, Cygnnet Theatre will relocate to its permanent home at the Joan & Irwin Jacobs Performing Arts Center at Liberty Station, San Diego, California. This state-of-the-art facility will significantly expand Cygnnet's capacity to serve the community while preserving the intimacy essential to the theatrical experience. The venue includes a 283-seat main theatre, which will host large-scale mainstage productions, and a flexible 150-seat Black Box theatre, designed for contemporary works, new play development, educational performances, and community-focused programming. The new facility will allow Cygnnet to increase the number of performances offered annually, welcome larger and more diverse audiences, and broaden its artistic scope.

Complementing its performance programming, Cygnnet Theatre maintains a strong commitment to arts education and community engagement. Its Arts Education and Outreach programs serve students, educators, and community members throughout San Diego County and include school matinee performances, in-school residencies, post-show discussions, professionally developed study guides, and curriculum-aligned educational materials. Cygnnet also offers scholarships and training opportunities for emerging artists, helping to cultivate the next generation of theatre professionals.

Accessibility and inclusion are central to Cygnnet's mission. The organization provides subsidized and free tickets, touring and off-site programming, and partnerships with schools, Military service providers, and community organizations to ensure that live theatre is accessible to individuals and communities who may otherwise face economic or geographic barriers.

Through its integrated focus on professional theatre production, education, and community service, soon to be anchored by its permanent home at the Joan & Irwin Jacobs Performing Arts Center, Cygnnet Theatre plays a vital role in San Diego's cultural landscape and remains committed to artistic excellence, civic engagement, and public benefit.

**Cygnnet Theatre Company**  
Notes to Financial Statements  
(continued)  
For the Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

The Theatre is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions based on the following criteria:

- Net assets without donor restrictions represent expendable funds available for operations that are not otherwise limited by donor restrictions.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Center may spend the funds and contributed funds subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity to generate investment income.

Contributions

Contributions received are recorded as net assets with donor restriction depending on the existence or nature of any donor restrictions. Net assets with donor restrictions are reported in Note 4.

All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without restriction and reported in the statement of activities as net assets released from restrictions. Contributions in-kind are recorded at their fair market value at the time of receipt.

Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realized value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Tangible Personal Property

The Theatre occasionally receives contributions of non-cash donations. These contributions are used for special events and theatre operations. The contributions are recognized at the item's fair value of the date of donation, estimated using sales prices for items of similar condition.

**Cygnets Theatre Company**  
Notes to Financial Statements  
(continued)  
For the Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Acquisitions of property and equipment in excess of \$500 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Ticket Sales

Ticket sales received prior to the fiscal year to which they apply are not recognized as revenues until the year earned.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Income Tax Status

The Theatre is classified as a Section 501(c) (3) Corporation under the Federal Internal Revenue Code and Section 13.2210 (e) of the State Revenue and Taxation Code. As a result, it has been determined to be exempt from federal income and state franchise taxes. Tax years 2021-2023 are open to examination by taxing authorities.

Revenue and Revenue Recognition.

Revenue is recognized when earned. When applicable, program service fees and payments under cost reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or when a unit of service is provided for performance grants and all conditions of the grants have been satisfied. Grant revenue from federal agencies is subject to independent audit and review by grantor agencies. The review could result in the disallowance of an expenditure under the terms of the grant or reductions of future grant funds. Based on prior experience, the Theatre's management believe that costs ultimately disallowed, if any, would not materially affect the financial position of the Theatre.

**Cygnnet Theatre Company**  
Notes to Financial Statements  
(continued)  
For the Year Ended June 30, 2025

Note 1 - Summary of Significant Accounting Policies (continued)

Summary of Government Grants

|                             |    |         |
|-----------------------------|----|---------|
| City of San Diego TOT Grant | \$ | 156,308 |
| County of San Diego         |    | 5,000   |
|                             |    | 161,308 |
|                             | \$ | 161,308 |

Functional Expenses

Expenses related to more than one functional expense category are allocated based on reasonable estimates by the Theatre. Salaries, benefits and other related expenses are allocated based on job function. Directly identifiable expenses are charged to program support, management and general, or fundraising as applicable.

Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased, if not provided in-kind.

Although unpaid volunteers have made significant contributions of their time and services in assisting the Theatre in its daily operations, the value of this contributed time is not reflected in these statements because it does not meet the criteria for recognition.

Note 2 – Property and Equipment

The following is a summary of property and equipment, less accumulated depreciation and amortization at June 30, 2025:

|   |    |               |
|---|----|---------------|
| Auto                                      | \$ | 11,538        |
| Leasehold improvements                    |    | 508,384       |
| Furniture and equipment                   |    | 671,223       |
|   |    | 1,191,145     |
| Accumulated depreciation and amortization |    | ( 1,043,675 ) |
| Property and Equipment - Net              | \$ | 147,470       |

**Cygnnet Theatre Company**  
Notes to Financial Statements  
(continued)  
For the Year Ended June 30, 2025

Note 3 – Advanced Ticket Sales

The Theatre had received \$647,628 at June 30, 2025, on advance ticket sales and events for the next theater season. As each production is presented, the portion of the advance sales collections that pertains to that production will be recognized as revenue. In the event any of the scheduled productions for the season are not presented, the advance ticket collections for that production will be available for refund to the ticket holders.

Note 4 – Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2025:

|                         |    |                  |
|-------------------------|----|------------------|
| Capital Campaign        | \$ | 33,847           |
| Student Matinees        |    | 63,474           |
| Educational Programming |    | 149,206          |
| Endowment               |    | 4,746,365        |
|                         | \$ | <u>4,992,892</u> |

Note 5 – Fair Value Measurements

Investments are composed of fixed income, equity funds and REITS in the amount \$1,858,051. Investments with readily determined market value are carried at market value and unrealized gains and losses are treated as current items in the year in which they occur. Investments without readily determined market values are carried at cost.

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Cygnnet Theatre Company**  
Notes to Financial Statements  
(continued)  
For the Year Ended June 30, 2025

Note 5 – Fair Value Measurements (continued)

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following details the level within the fair value hierarchy of the Theatre’s assets at fair value as of June 30, 2025. Level 1 investments consist of equity securities totaling \$1,858,051. There were no Level 2 or Level 3 investments.

Investments at fair market value at June 30, 2025, consist of the following:

|                             | <u>Adjusted<br/>Cost</u> |    | <u>Fair Market<br/>Value</u> |    | <u>Fair Value<br/>(Level 1)</u> |
|-----------------------------|--------------------------|----|------------------------------|----|---------------------------------|
| Equities (Level 1)          |                          |    |                              |    |                                 |
| Mutual of America - various | \$ 102,569               | \$ | 141,545                      | \$ | 141,545                         |
| US Bank - various           | 1,640,349                |    | 1,716,506                    |    | 1,716,506                       |

Investment return for the year end June 30, 2025 included in the statements of activities is comprised of the following:

|   | <u>2025</u>       |
|---|-------------------|
| Realized and unrealized losses                | \$ 76,158         |
| Interest and dividends (less fees of \$4,273) | 29,263            |
|   | <u>\$ 105,421</u> |

Note 6 – Cash and Equivalents

At June 30, 2025, cash was held in the following institutions:

|                                      |                   |
|--------------------------------------|-------------------|
| California Bank & Trust (5 accounts) | 790,346           |
| US Bank (4 accounts)                 | 103,597           |
| Charles Schwab (1 account)           | 3,384             |
|                                      | <u>\$ 898,227</u> |

Concentration of Credit Risk

The Theatre maintains its cash in bank accounts and brokerage accounts which, at times, may exceed federally insured limits. The Theatre has not experienced any losses in such accounts. The Theatre believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts are insured by the FDIC for amounts up to \$250,000.

**Cygnnet Theatre Company**  
Notes to Financial Statements  
(continued)  
For the Year Ended June 30, 2025

Note 7 – Liquidity and Availability of Financial Assets

The table below represents financial assets available for general expenditures within one year at June 30, 2025:

Financial assets at year end:

|  |            |
|--|------------|
| Cash and cash equivalents without restrictions             | \$ 591,841 |
| Accounts receivable, without restrictions, within one year | 322,504    |
|  | \$ 914,345 |
|  | \$ 914,345 |

As part of their liquidity management plan, the Theatre invests cash in checking, savings, short-term investments and money market funds.

Note 8 – Operating Lease

The Theatre has one outstanding operating lease for office equipment with a lease end date of October of 2029.

The Theatre has conformed to the new leasing standards under generally accepted accounting standards as indicated under ASC 842. The Theatre has recorded a right of use asset and a corresponding lease liability of \$7,038 as of June 30, 2025. This represents the present value of payments under the lease due through October of 2029 at an interest rate of 3.99% which is equal to the risk-free rate as determined by the daily Treasury rate of June 30, 2025.

Lease payments expensed in the year ended June 30, 2025 were \$1,106.

The Theatre leases its office facility under a lease agreement dated October 26, 2024. The lease is month to month. Monthly payments are \$4,678 per month as of June 30, 2025 with an additional 6.94% of utilities. The Theatre leases its rehearsal facility under a month-to-month lease with monthly payments of \$6,062. Both the office and rehearsal facility leases ended on June 30, 2025. For the theatre space, the Theatre has entered into a Concession Agreement with the State of California which requires a percentage payment of 3% of gross receipts against minimum annual payments of \$40,000. Total rental expense was \$54,760 for the year ended June 30, 2025. This agreement will expire on December 31, 2026.

Future Lease Obligations are:

|               |          |
|---------------|----------|
| June 30, 2026 | \$ 1,763 |
| June 30, 2027 | 1,763    |
| June 30, 2028 | 1,763    |
| June 30, 2029 | 1,749    |
| June 30, 2030 | 0        |

**Cygnnet Theatre Company**  
Notes to Financial Statements  
(continued)  
For the Year Ended June 30, 2025

Note 9 – Retirement Plan

The Theatre maintains a tax deferred contribution plan qualified under Section 401(K) of the Internal Revenue Code. Eligible employees may contribute a percentage of their compensation to the Plan. Employer contributions totaled \$53,577 for the year ended June 30, 2025.

Note 10-Deferred Compensation Investments and Obligations

Cygnnet Theatre Company maintains a 457(b)-retirement plan (Plan) covering certain management employees. Employees can elect to defer up to 100% of their compensation in accordance with Internal Revenue Service deferral limits. Participants in the 457(b) plan are entitled to be vested into the plan as of the first day of employment. The theatre may make non- elective contributions to the 457(b) plan. During the year ended June 30, 2025, there were contributions of \$30,000 to the Plan.

The investments of the Plan consist of a fully benefit-responsive investment contract with Mutual of America and are held in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The guaranteed investment contract issuer is contractually obligated to repay the principle at a specific interest rate that is guaranteed to the Plan. The crediting rate is based on a formula established by the contract issuer, but may not be less than zero percent. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date. The contract meets the fully benefit-responsive investment contract criteria and therefore are reported at the contract value.

Contact value is the relevant measure for the full benefit responsive-investment contracts because this is the amount received by the participants that they were to initiate permitted transactions under the terms of the Plan. Contract value, as reported by Mutual America, represents contributions made under contract, plus earnings, less participant withdrawals, and administrative expenses.

Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investments at contract value.

The Plans ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations. The issuer's ability to meet its contractual obligation may be affected by future economic and regulatory developments.

**Cygnnet Theatre Company**  
Notes to Financial Statements  
(continued)  
For the Year Ended June 30, 2025

Note 10-Deferred Compensation Investments and Obligations (continued)

Certain events might limit the ability of the Plan to transact or contract with the issuer. Such events include (1) amendments to the Plan documents (including complete or partial Plan termination or merger with another plan), (2) changes to the Plan's, prohibition on competing investment options or deletion of equity wash provisions, (3) bankruptcy of the Plan sponsor or other Plan sponsor events (for example, divestitures of spin-offs of a subsidiary) that cause a significant withdrawal from the Plan, or (4) the failure of the trust to qualify for exemption from federal income tax or any required prohibited transaction exemption under ERISA and (5) premature termination of the contract. No events are probable of occurring that might limit the ability of the Plan to transact at contract value with the contract issuers and that also would limit the ability of the Plan to transact a contract value with the participants.

In addition, certain events allow the issuer to terminate the contract with the Plan and settle at an amount different from the contract value. Such events include (1) an uncured violation of the Plan's investment guidelines, (2) a breach of material obligation under the contract, (3) a material representation, and (4) a material amendment to the agreement without the consent of the issuer.

The following table provides a summary of changes in the contract value for the year ended June 30, 2025:

|  |    |         |
|--|----|---------|
| Deferred compensation investments, beginning of year | \$ | 94,793  |
| Employer cash contributions                          |    | 30,000  |
| Unrealized gains on investments                      |    | 16,752  |
| Employee cash withdrawals                            |    | 0       |
|  |    | 141,545 |
|  | \$ | 141,545 |

Note 11-Line of Credit

The Theatre has \$150,000 of available credit at California Bank and Trust. \$25,000 of the line is in the form of a credit card credit limit and the remaining \$125,000 is a traditional line of credit. The interest rate on the line of credit portion is variable at prime plus .75%. As of June 30, 2025, the outstanding principal amount was \$0 on the line portion.

**Cygnat Theatre Company**  
Notes to Financial Statements  
(continued)  
For the Year Ended June 30, 2025

Note 12—Long Term Debt

At June 30, 2025, the Theatre is indebted to the SBA for Covid recovery loans received. The following are the terms of the loans:

|   |            |
|---|------------|
| Note payable, SBA. The loan is payable in monthly installments of \$2,208 with interest at 2.75% over 30 years. | 490,635    |
|   | \$ 490,635 |
|   | 490,635    |

Maturity of long-term debt as of June 30, 2025 is as follows:

|                 |    |         |
|-----------------|----|---------|
| 2026            | \$ | 13,024  |
| 2027            |    | 13,386  |
| 2028            |    | 13,724  |
| 2029            |    | 12,355  |
| 2030 and future |    | 438,146 |

Note 13—Promises to Give

Unconditional promises to give at June 30, 2025 are as follows:

|  |    |             |
|--|----|-------------|
|  |    | <u>2025</u> |
| Due in less than one year              | \$ | 1,800,000   |
| Due in one to five years               |    | 1,500,000   |
|  |    | 3,300,000   |
| Total promises to give                 |    | 3,300,000   |
| Less: discounted to present value (5%) | (  | 330,000 )   |
|  |    | 2,970,000   |
| Net promise to give                    | \$ | 2,970,000   |

Promises to give are recorded in accounts receivable at their estimated net realizable value. Amounts due in more than one year have been discounted using a risk-adjusted interest rate of 5%, which management believes approximates the rate of return available on investments of similar maturity and risk.

During the year ended June 30, 2025, the Theatre recorded contribution revenue of \$4,653,700 related to a multi-year unconditional pledge with a face value of \$5,000,000. The difference represents the discount to present value, which is amortized to contribution revenue over the term of the pledge.

Management believes all promises to give are fully collectible; therefore, no allowance for uncollectible promises has been recorded.

**Cygnnet Theatre Company**  
Notes to Financial Statements  
(continued)  
For the Year Ended June 30, 2025

Note 14-Subsequent Events

Events subsequent to June 30, 2025 have been evaluated through January 21, 2026, the date these financial statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management determined that one event should be disclosed. In July of 2024, the Theatre entered into a “net” lease with NTC Liberty Station 178, LLC for the lease of a newly built theatre in San Diego. The lease is for 24 years and 11 months. Cygnnet will be responsible for the payment of all expenses on the property including property taxes, community association expenses, asset management and property management fees.