

The Children's Theatre of Cincinnati and Subsidiaries

**Consolidated Financial Statements with Supplementary Information
May 31, 2025 and 2024
With Independent Auditors' Report**

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES
May 31, 2025 and 2024

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Independent Auditors' Report

To the Board of Trustees
The Children's Theatre of Cincinnati and Subsidiaries
Cincinnati, Ohio

Opinion

We have audited the accompanying consolidated financial statements of The Children's Theatre of Cincinnati (a nonprofit organization) and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of May 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Children's Theatre of Cincinnati and Subsidiaries as of May 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 the Organization 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 opinions.

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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

**Independent Auditors' Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 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.

Barnes, Dennig & Co., Ltd.

November 19, 2025
Cincinnati, Ohio

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Consolidated Statements of Financial Position May 31, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 5,957,200	\$ 20,211,645
Pledges, grants, and other receivables, net	2,082,333	1,657,995
Prepaid expenses and other assets	189,114	221,931
Total current assets	8,228,647	22,091,571
Restricted cash	455,475	3,415,588
Pledges, grants, and other receivables, net, less current portion	1,281,394	3,252,999
Investments	7,147,564	6,902,399
Investments restricted by donors for endowment	1,471,240	986,301
Property and equipment, net	46,260,642	19,197,491
Right of use asset, net - operating lease	235,090	69,718
Other assets	35,500	183,032
Note receivable	5,775,200	5,775,200
Total assets	\$ 70,890,752	\$ 61,874,299
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,853,460	\$ 1,873,589
Lease liability - operating lease, current	40,555	40,555
Deferred revenue	708,947	639,582
Total current liabilities	5,602,962	2,553,726
Lease liability - operating lease, less current portion	194,535	32,587
Notes payable, net	8,122,801	8,122,801
Total liabilities	13,920,298	10,709,114
Net Assets		
Without donor restrictions		
Undesignated	699,681	991,315
Net investment in property and equipment	7,971,539	8,119,766
Board-designated endowment	6,623,574	6,399,918
Noncontrolling interest	1,529,095	1,556,434
Total net assets without donor restrictions	16,823,889	17,067,433
With donor restrictions	40,146,565	34,097,752
Total net assets	56,970,454	51,165,185
Total liabilities and net assets	\$ 70,890,752	\$ 61,874,299

See accompanying notes to financial statements

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

**Consolidated Statement of Activities
Year Ended May 31, 2025**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Performance income	\$ 1,897,501	\$ -	\$ 1,897,501
Academy income	400,787	-	400,787
Contributions, grants, and sponsorships	454,167	6,535,251	6,989,418
In-kind contributions	160,856	-	160,856
Event income, net of expenses	33,986	-	33,986
Other revenues	85,855	-	85,855
Net assets released from restrictions	559,977	(559,977)	-
Total revenues and other support	<u>3,593,129</u>	<u>5,975,274</u>	<u>9,568,403</u>
Expenses			
Program services			
TCT MainStage	2,790,368	-	2,790,368
TCT Academy	467,302	-	467,302
TCT on Tour	129,454	-	129,454
Summer camps and other programs	182,375	-	182,375
Total program services	<u>3,569,499</u>	<u>-</u>	<u>3,569,499</u>
Support services			
Management and general	680,520	-	680,520
Fundraising	576,571	-	576,571
Total support services	<u>1,257,091</u>	<u>-</u>	<u>1,257,091</u>
Total expenses	<u>4,826,590</u>	<u>-</u>	<u>4,826,590</u>
Change in net assets before other changes	(1,233,461)	5,975,274	4,741,813
Other income (loss)			
Investment return, net	1,102,529	73,539	1,176,068
Loss on extinguishment of debt	(112,612)	-	(112,612)
Total other income (loss)	989,917	73,539	1,063,456
Change in net assets	(243,544)	6,048,813	5,805,269
Net assets, beginning of year	<u>17,067,433</u>	<u>34,097,752</u>	<u>51,165,185</u>
Net assets, end of year	<u>\$ 16,823,889</u>	<u>\$ 40,146,565</u>	<u>\$ 56,970,454</u>

See accompanying notes to financial statements

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Consolidated Statement of Activities Year Ended May 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Performance income	\$ 1,525,153	\$ -	\$ 1,525,153
Academy income	356,005	-	356,005
Contributions, grants, and sponsorships	800,636	8,756,286	9,556,922
In-kind contributions	3,542,014	-	3,542,014
Event income, net of expenses	114,685	-	114,685
Other revenues	81,882	-	81,882
Net assets released from restrictions	954,913	(954,913)	-
Total revenues and other support	<u>7,375,288</u>	<u>7,801,373</u>	<u>15,176,661</u>
Expenses			
Program services			
TCT MainStage	2,557,482	-	2,557,482
TCT Academy	418,950	-	418,950
TCT on Tour	180,270	-	180,270
Summer camps and other programs	156,711	-	156,711
Total program services	<u>3,313,413</u>	<u>-</u>	<u>3,313,413</u>
Support services			
Management and general	686,071	-	686,071
Fundraising	641,819	-	641,819
Total support services	<u>1,327,890</u>	<u>-</u>	<u>1,327,890</u>
Total expenses	<u>4,641,303</u>	<u>-</u>	<u>4,641,303</u>
Change in net assets before other changes	<u>2,733,985</u>	<u>7,801,373</u>	<u>10,535,358</u>
Other income (loss)			
Investment return, net	1,594,094	76,606	1,670,700
Change in net assets	<u>4,328,079</u>	<u>7,877,979</u>	<u>12,206,058</u>
Noncontrolling interest capital activity			
Capital contributions	1,574,502	-	1,574,502
Net assets, beginning of year	<u>11,164,852</u>	<u>26,219,773</u>	<u>37,384,625</u>
Net assets, end of year	<u>\$ 17,067,433</u>	<u>\$ 34,097,752</u>	<u>\$ 51,165,185</u>

See accompanying notes to financial statements

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

**Consolidated Statement of Functional Expense
Year Ended May 31, 2025**

	Program Services				Support Services			Total Expenses
	TCT MainStage	TCT Academy	TCT on Tour	Summer Camps and Other Programs	Total Program Services	Management and General	Fundraising	
Wages and benefits	\$ 1,322,827	\$ 232,093	\$ 14,531	\$ 14,531	\$ 1,583,982	\$ 235,060	\$ 328,507	\$ 2,147,549
Production labor	144,877	19,403	54,850	68,538	287,668	-	-	287,668
Production costs	577,216	16,148	9,079	11,383	613,826	-	-	613,826
Depreciation	147,480	33,543	16,771	33,543	231,337	20,963	16,771	269,071
In-kind gifts	69,606	-	-	-	69,606	91,250	-	160,856
Occupancy	252,016	61,327	6,167	698	320,208	46,690	5,608	372,506
Marketing	-	-	-	-	-	158,291	-	158,291
Other	229,191	104,788	27,853	53,682	415,514	51,591	20,102	487,207
Professional fees	47,155	-	203	-	47,358	76,675	205,583	329,616
Total expenses	\$ 2,790,368	\$ 467,302	\$ 129,454	\$ 182,375	\$ 3,569,499	\$ 680,520	\$ 576,571	\$ 4,826,590

See accompanying notes to financial statements

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

**Consolidated Statement of Functional Expense
Year Ended May 31, 2024**

	Program Services				Support Services			Total Expenses
	TCT MainStage	TCT Academy	TCT on Tour	Summer Camps and Other Programs	Total Program Services	Management and General	Fundraising	
Wages and benefits	\$ 1,167,537	\$ 280,634	\$ 57,173	\$ 11,304	\$ 1,516,648	\$ 204,744	\$ 338,376	\$ 2,059,768
Production labor	164,055	12,394	61,255	48,743	286,447	-	50	286,497
Production costs	544,761	19,138	7,640	9,081	580,620	20	-	580,640
Depreciation	131,147	33,892	16,946	33,892	215,877	21,182	16,946	254,005
In-kind gifts	65,240	-	-	-	65,240	70,150	-	135,390
Occupancy	272,269	27,870	7,792	5,488	313,419	44,133	4,539	362,091
Marketing	-	-	-	-	-	100,621	452	101,073
Other	179,221	45,022	26,022	48,203	298,468	174,803	26,202	499,473
Professional fees	33,252	-	3,442	-	36,694	70,418	255,254	362,366
Total expenses	\$ 2,557,482	\$ 418,950	\$ 180,270	\$ 156,711	\$ 3,313,413	\$ 686,071	\$ 641,819	\$ 4,641,303

See accompanying notes to financial statements

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Consolidated Statements of Cash Flows Years Ended May 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 5,805,269	\$ 12,206,058
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	269,071	254,005
Loss on debt extinguishment	112,612	-
Net unrealized and realized gains on investments	(336,564)	(912,447)
Noncash lease expense	(3,424)	(386)
Noncash donation of property	-	(3,406,624)
Contributions received restricted for acquisition of long-lived assets and endowments	(5,777,490)	(8,359,729)
Changes in:		
Pledges, grants, and other receivables	(22,533)	(11,366)
Prepaid expenses and other assets	67,737	(192,541)
Accounts payable and accrued expenses	199,121	(1,589)
Deferred revenue	69,365	123,959
Net cash provided by (used in) operating activities	383,164	(300,660)
Cash flows from investing activities		
Purchases of property and equipment	(24,551,472)	(6,758,545)
Proceeds from sale of investments	1,103,185	428,091
Purchases of investments	(1,496,725)	(747,513)
Issuance of note receivable	-	(5,775,200)
Net cash used in investing activities	(24,945,012)	(12,853,167)
Cash flows from financing activities		
Proceeds from contributions received restricted for acquisition of long-lived assets and endowments	7,347,290	10,565,163
Proceeds from notes payable	-	9,000,000
Payments for debt issuance costs	-	(989,811)
Capital contribution from noncontrolling interest	-	1,574,502
Net cash provided by financing activities	7,347,290	20,149,854
Net change in cash and cash equivalents and restricted cash	(17,214,558)	6,996,027
Cash and cash equivalents and restricted cash, beginning of year	23,627,233	16,631,206
Cash and cash equivalents and restricted cash, end of year	\$ 6,412,675	\$ 23,627,233
Supplemental disclosure of cash flow information		
Property and equipment purchases in accrued expenses	\$ 4,493,303	\$ 1,712,553
See Note 10 for supplemental cash flow information related to leases		

See accompanying notes to financial statements

THE CHILDREN’S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Children’s Theatre of Cincinnati (“TCT”) is a 501(c)(3) organization based in Cincinnati, Ohio. Its mission is to educate, entertain, and engage audiences of all ages through professional theatrical productions and arts education programming. TCT was incorporated under the laws of the state of Ohio in 1948 as a nonstock, nonprofit corporation.

TCT is an educational and performance-based organization. Performance income, academy income, contributions, grants, sponsorships, and in-kind contributions represent the majority of support and revenue received by the organization. Other support and revenue sources include but are not limited to the following: event income and miscellaneous revenues. TCT conducts its operations primarily in the Greater Cincinnati area and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in support and revenue.

TCT’s vision is to awaken a lifelong love of theatre in children and the young at heart. Today, TCT brings art to life for audiences through three key programs: TCT MainStage at the Taft Theatre (TCT MainStage); TCT Academy; and TCT on Tour, including WorkShops (TCT on Tour).

TCT Emery Manager, LLC (“Manager”) was formed on October 11, 2023 and organized to pursue various membership interests related to real estate opportunities that may benefit TCT. TCT is the sole member.

TCT Emery SHTC, LLC (“SHTC”) was formed on October 11, 2023 and organized to pursue various membership interests related to real estate opportunities that may benefit its members. Manager has a 99% membership interest and TCT has a 1% membership interest in SHTC.

TCT Emery Landlord, LLC (“Landlord”) was formed under the laws of the State of Ohio to develop, rehabilitate, construct and lease the Emery Theater (“Emery Theater Project”) located at 1112 Walnut Street in Cincinnati, Ohio. Upon completion, the Emery Theater Project will serve as a low-income community business. Affairs of the Landlord are governed by its amended and restated operating agreement dated December 22, 2023. The ownership and equity contributions are as follows as of May 31, 2025 and 2024:

Member	Ownership %	Committed Contributions	2025	2024
			Remaining Contributions	Remaining Contributions
TCT Emery Manager, LLC	79.90%	\$ 36,707,023	\$ 11,833,057	\$ 33,270,308
TCT Emery SHTC, LLC	0.10%	40,000	-	-
TCT Emery HTC Tenant, LLC	20.00%	6,106,625	4,723,507	4,723,507
	<u>100.00%</u>	<u>\$ 42,853,648</u>	<u>\$ 16,556,564</u>	<u>\$ 37,993,815</u>

The Emery Theater Project is a certified historic structure that is eligible for investment tax credits for qualifying rehabilitation expenditures pursuant to Section 47 of the Internal Revenue Code (the “IRC”). The building is a Qualified Active Low-Income Community Business in accordance with the terms under the New Markets Tax Credit (“NMTC”) program pursuant to Section 45D of the IRC. Landlord is required to comply with various rules and regulations and failure to comply with these or other requirements could result in the recapture of NMTCs already taken by the mortgage lenders and potential loss of future NMTCs.

THE CHILDREN’S THEATRE OF CINCINNATI AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

TCT Emery HTC Tenant, LLC ("Master Tenant") was formed under the laws of the State of Ohio to operate, maintain, rent or lease the Emery Theater Project from the Landlord under a master lease (the "Master Lease"). Affairs of the Master Tenant are governed by its amended and restated operating agreement dated December 22, 2023. The ownership and equity contributions are as follows as of May 31, 2025 and 2024:

Member	Ownership %	Committed Contributions	2025 Remaining Contributions	2024 Remaining Contributions
TCT Emery Manager, LLC	1.00%	\$ 63,616	\$ -	\$ -
NTCIC 2022 Historic Preservation Fund, LLC	99.00%	6,298,009	4,723,507	4,723,507
	<u>100.00%</u>	<u>\$ 6,361,625</u>	<u>\$ 4,723,507</u>	<u>\$ 4,723,507</u>

The Master Tenant is responsible for all operating expenses incurred in connection with operating the building and is responsible for making monthly payments to the Landlord under the Master Lease. The Master Tenant does not own the Emery Theater Project, or the rental improvements, nor is it responsible for any payments under the loan agreements.

The purpose of the Master Lease structure is to permit the allocation of historic tax credits. The majority member of the Master Tenant qualifies to receive these tax credits that are passed through by the Landlord for qualified historic expenditures incurred in connection with the renovation of the building pursuant of Section 47 of the IRC.

All profits and losses are allocated and cash flows distributed in accordance with the operating agreements for the above entities. Actual contributions may be adjusted based on delivery of historic tax credits and other adjustments noted in the operating agreements.

Principles of Consolidation

The consolidated financial statements included the accounts of the Children’s Theatre of Cincinnati, TCT Emery Manager, LLC, TCT Emery SHTC, LLC, TCT Emery HTC Tenant, LLC and TCT Emery Landlord, LLC. The organizations are collectively referred to as the “Organization.” All material inter-organizational transactions have been eliminated.

TCT Emery SHTC, LLC, TCT Emery HTC Tenant, LLC and TCT Emery Landlord, LLC have a fiscal-year end for tax and financial reporting purposes of December 31. The Organization consolidated the accounts of these entities as of May 31.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents and Restricted Cash

The Organization considers all highly liquid investments with an original maturity date of less than three months to be cash equivalents. At May 31, 2025 and 2024, cash equivalents consisted primarily of money market accounts. Cash in bank deposit accounts, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Restricted cash consists of cash balances on deposit with financial institutions for the Master Tenant's and Landlord's construction, debt service, fee reimbursement and operating reserve accounts.

At May 31, 2025, cash and cash equivalents of \$5,957,200 and restricted cash of \$455,475 reported within the consolidated statement of financial position sum to the total of \$6,412,675, which is the total of the cash and cash equivalents and restricted cash shown in the consolidated statement of cash flows. At May 31, 2024, cash and cash equivalents of \$20,211,645 and restricted cash of \$3,415,588 reported within the consolidated statement of financial position sum to the total of \$23,627,233, which is the total of the cash and cash equivalents and restricted cash shown in the consolidated statement of cash flows.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are stated at unpaid balances, less an allowance for credit losses. If necessary, the Organization provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions and individual credit evaluation and specific circumstance of the customer. No allowance for credit losses has been recorded as of May 31, 2025 and 2024.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Under applicable GAAP for fair value measurements and disclosures, a three-level hierarchy is established for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 – Inputs are unadjusted quoted prices for identical assets in active markets; Level 2 – Inputs are observable quoted prices for similar assets in active markets; Level 3 – Inputs are unobservable and reflect management's best estimates of what market participants would use as fair value.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments, net of fees.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as investment return and net assets with donor restrictions and then released from restrictions. Other investment return is reflected in the statement of activities as with donor restrictions or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

The Organization records property and equipment at cost or, if donated or impaired, at fair value at the time of the gift or determination. The Organization calculates depreciation on a straight-line basis over the estimated useful lives of the related assets. The Organization follows the policy of expensing its costs of new sets and props. Although the set possibly may be re-used, it is uncertain which will be re-used and when re-use will occur. Production equipment used in more than one theatrical production is capitalized. The Organization has a capitalization limit of \$500.

In accordance with applicable GAAP for property and equipment, the Organization assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Organization believes no impairments existed at May 31, 2025 and 2024.

Note Receivable and Allowance for Credit Losses

If necessary, the Organization provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions and individual credit evaluation and specific circumstance of the customer. No allowance for credit losses has been recorded as of May 31, 2025 and 2024 associated with the note receivable.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the note payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest, which is capitalized during development, and is computed using an imputed interest rate on the related loan.

Revenue Recognition

The Organization identifies a contract with a customer for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Organization evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. To determine the proper revenue recognition method, the Organization evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as a single or more than one performance obligation.

Revenue from customers is primarily recognized from performances and academy services:

Performances include single-performance sales and multiple-performance subscription sales for both live and digital shows. Contracts related to single performances consist of one performance obligation with revenue recognized at the time of performance delivery. Contracts related to subscription sales consist of multiple performance obligations with revenue proportionally recognized for each show in the subscription series at the time of the performance delivery.

Academy services consist of performing arts instruction. Contracts contain a single performance obligation as the promise to transfer the service is not separately identifiable from other promises in the contract. Revenue is recognized as the service is provided to the customer using the time elapsed method, an input measure, as the Organization considers it to best depict the simultaneous consumption and delivery of its services. Academy services range from a single day to a multi-month period. The determination of the method by which the Organization measures its progress towards the satisfaction of its performance obligation requires judgment.

The transaction price for performances and academy services is stated in the contracts and known at time of contract inception. Variable consideration in the form of discounts and financial assistance is available to eligible customers and is reflected as a reduction of gross fees. Fees are typically collected in advance of performance or academy service date. Cancellation provisions vary by contract, but most transactions are cancellable, and refunds may be available for services not provided. The Organization has elected the policy to exclude from the measurement of the transaction price all taxes assessed by a government authority related to revenue-producing transactions and collected from a customer.

Fees paid in advance for customer contracts represent contract liabilities and are recorded as deferred revenues. Deferred revenues as of May 31, 2025, 2024 and 2023 were \$708,947, \$639,582, and \$515,623, respectively. Amounts billed but unpaid are contract assets and recorded as accounts receivable. Accounts receivable related to performances and academy services as of May 31, 2025, 2024 and 2023 were \$54,856, \$32,323, and \$20,957, respectively.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants

The Organization records gifts of cash and other assets received without donor stipulations as revenues and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenues and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Unconditional gifts having donor restrictions which are satisfied in the period the gift is received are reported as revenue and net assets with donor restrictions and then released from restrictions. Conditional gifts having donor restrictions and for which the conditions and restrictions are met in the same period are recorded as net assets without donor restrictions.

The Organization reports gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, it reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional promises to give expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.

Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met. Support funded by grants is recognized as the Organization incurs outlays eligible for reimbursement under the grant agreement. Grant funds received in excess of expenses incurred result in the recognition of a refundable advance (liability). Allowable expenses incurred in excess of grant funds received results in recognition of a grant receivable (asset). At May 31, 2025 and 2024, the Organization had conditional promises to give of \$968,410 and \$575,000, respectively, related to the Emery Theater Project renovation.

Advertising

The Organization expenses advertising costs as incurred or donated. For the years ended May 31, 2025 and 2024, advertising expense was \$233,633 and \$187,693, respectively.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

TCT is a nonprofit organization that is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and a similar provision of Ohio law. However, TCT is subject to federal income tax on any unrelated business taxable income.

TCT's IRS Forms 990 and 990-T are subject to review and examination by federal and state authorities. TCT believes it has appropriate support for any tax positions taken, and therefore, do not have any uncertain income tax positions that are material to the financial statements.

The Manager has made an election under Internal Revenue Code 168(h) to not be treated as a tax-exempt corporation. The Manager accounts for income taxes in accordance with the asset and liability method as required by FASB ASC 740, *Income Taxes*. Deferred tax assets and liabilities are recognized based on differences between the book and tax bases of assets and liabilities using currently enacted tax rates. The provision for income taxes is the sum of the amount of income tax paid or payable for the year determined by applying the provision of enacted tax laws to the taxable income for that year and the net change during the year in the Manager's deferred tax assets and liabilities.

The Landlord and Master Tenant are treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and federal tax credits are passed through to and are reported by their owners on their respective income tax returns. The Landlord's and Master Tenant's federal tax status as pass-through entities is based on their legal status as limited liability companies. Accordingly, they are not required to take any tax positions in order to qualify as pass-through entities. The Landlord and Master Tenant are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Landlord and Master Tenant have no other tax positions which must be considered for disclosure.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional classification basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were occupancy and depreciation, which were allocated based on utilization, and wages and related benefits, which were allocated based on time and effort.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization leases warehouse space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in right of use (ROU) asset – operating lease and lease liability – operating lease on the statement of financial position.

ROU asset represent the right to use an underlying asset for the lease term and lease liability represent the obligation to make lease payments arising from the lease. Operating lease ROU asset and liability are recognized at commencement date based on the present value of lease payments over the lease term. As the lease does not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The lease term may include options to extend or terminate the lease.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The lease agreement does not contain any material residual value guarantees or material restrictive covenants. The Organization has elected to apply the short-term lease exemption for leases that qualify for the exemption.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain 2024 amounts have been reclassified to conform to the 2025 presentation.

Subsequent Event Evaluation

The Organization has evaluated subsequent events through November 19, 2025, which is the date the financial statements were available to be issued.

THE CHILDREN’S THEATRE OF CINCINNATI AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at May 31:

	2025	2024
Cash and cash equivalents	\$ 5,957,200	\$ 20,211,645
Restricted cash	455,475	3,415,588
Pledges, grants, and other receivables, net	3,363,727	4,910,994
Investments	7,147,564	6,902,399
Investments restricted by donors for endowment	1,471,240	986,301
Total financial assets available within one year	18,395,206	36,426,927
Less those unavailable for general expenditure within one year due to:		
Donor-imposed restrictions:		
Endowment funds	(1,471,240)	(986,301)
Time or purpose restrictions	(8,920,043)	(24,795,920)
Board designations - endowment	(6,623,574)	(6,399,918)
Contractual restrictions	(455,475)	(3,415,588)
Plus endowment spending policy appropriated for use in the coming year:		
Board-designated endowment	359,392	339,300
Total financial assets available for expenditure	\$ 1,284,266	\$ 1,168,500

TCT’s endowment funds consist of donor-restricted endowments and funds designated by the Board of Trustees to serve as an endowment, as described in Note 9. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditure. Although TCT does not intend to spend from its Board-designated endowment fund, other than amounts appropriated for general expenditure as part of its annual appropriation and approval process, amounts from the Board-designated endowment could be made available, if necessary.

As part of the Organization’s liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 3 PLEDGES, GRANTS, AND OTHER RECEIVABLES

Pledges, grants, and other receivables are expected to be collected as follows as of May 31:

	2025	2024
Due within one year	\$ 2,082,333	\$ 1,657,995
Due in one to five years	1,402,282	3,719,245
Due in more than five years	-	2,000
	3,484,615	5,379,240
Less unamortized discount	(120,888)	(468,246)
Total pledges, grants, and other receivables	\$ 3,363,727	\$ 4,910,994

The discount rate used on long-term pledges receivable ranged from 3.96% to 4.89% in 2025 and was 4.7% in 2024. There is no allowance for uncollectible receivables at May 31, 2025 and 2024.

At May 31, 2025, approximately 61% of total undiscounted pledges, grants, and other receivables was due from a private foundation. At May 31, 2024, approximately 81% of total undiscounted pledges, grants, and other receivables was due from a private foundation.

NOTE 4 INVESTMENTS AT FAIR VALUE

Investments at fair value consisted of the following as of May 31:

	2025	2024
Level 1:		
Equity mutual funds	\$ 5,411,176	\$ 5,662,857
Fixed income mutual funds	2,461,742	1,579,242
Level 2:		
Money market funds	745,886	646,601
	\$ 8,618,804	\$ 7,888,700

The following table provides a reconciliation of investments reported within the statements of financial position to the total of the same such amounts shown in the investments at fair value table above as of May 31:

	2025	2024
Investments	\$ 7,147,564	\$ 6,902,399
Investments restricted by donors for endowment	1,471,240	986,301
	\$ 8,618,804	\$ 7,888,700

There were no valuations using Level 3 inputs.

Fair values for equity and fixed income mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for money market funds are estimated using pricing models or quoted prices of securities with similar characteristics.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 4 INVESTMENTS AT FAIR VALUE (CONTINUED)

Investment securities are exposed to various risks, such as credit, market and interest rate. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statements of financial position at May 31, 2025 and 2024. However, the diversification of the Organization's investments among various asset classes should mitigate the impact of any adverse changes on any one asset class. Investments are managed by the Board of Trustees with advice and assistance from investment professionals.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at May 31:

	2025	2024
Building and building improvements	\$ 5,588,429	\$ 5,588,429
Theatre productions equipment	689,736	615,795
Land	389,640	389,640
Office furniture and equipment	323,164	323,164
Computer hardware and software	215,144	213,544
Leasehold improvements	33,863	33,863
Emery Theatre Project construction in progress	41,778,877	14,522,197
	49,018,853	21,686,632
Less: accumulated depreciation	(2,758,211)	(2,489,141)
	\$ 46,260,642	\$ 19,197,491

The Emery Theater Project construction in progress is expected to be completed and placed in service in the Fall of 2025.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 6 NOTE RECEIVABLE AND NOTES PAYABLE

The Organization financed the development and construction to renovate a facility in Cincinnati to create a performance space for its productions ("Emery Theater Project") through New Market Tax Credit (NMTC) and Historical Tax Credit (HTC) programs. All financing agreements were entered into on December 22, 2023, unless otherwise noted.

In connection with the NMTC and HTC programs, TCT made a loan to TCT Cincinnati Investment Fund, LLC ("Fund"), an unrelated entity, for \$5,775,200 ("Leveraged Loan"). Interest on the loan accrues at a fixed rate of 1.383%. The terms of the loan provide for installments of interest to be paid quarterly, on the 20th of each March, June, September and December and continuing regularly through December 31, 2031. Commencing on March 25, 2032 and each subsequent payment date thereafter through December 31, 2049, the maturity date, principal and interest payments of \$90,747 are due and payable. The loan is secured by a pledge agreement from the borrower for its ownership interest in NTCIC-Children's Theatre, LLC ("CDE"). For the years ended May 31, 2025 and 2024, interest income was \$79,871 and \$21,965, respectively. As of both May 31, 2025 and 2024, the outstanding balance on the note receivable was \$5,775,200.

In combination with other external tax credit equity received by the Fund, the Fund made an \$8,000,000 Qualifying Equity Investment (QEI) to NTCIC-Children's Theatre, LLC ("CDE"), an unrelated entity. In turn, CDE made two loans to Landlord:

- "QLICI Loan A" for the amount of \$5,775,200. The loan bears interest at 1.00% per annum. The Landlord is required to make quarterly interest-only payments payable through December 2031, after which time the Landlord is required to make quarterly payments of principal and interest through the maturity date, December 31, 2055. The note is secured by an open-end mortgage, assignment of leases and rents and a security agreement fixture filing. As of both May 31, 2025 and 2024, the outstanding balance of the note payable was \$5,775,200.
- "QLICI Loan B" for the amount of \$2,224,800. The loan bears interest at 1.00% per annum. The Landlord is required to make quarterly interest-only payments payable through December 2031, after which time the Landlord is required to make quarterly payments of principal and interest through the maturity date, December 31, 2055. The note is secured by an open-end mortgage, assignment of leases and rents and a security agreement fixture filing. As of both May 31, 2025 and 2024, the outstanding balance of the note payable was \$2,224,800.

The loan agreements have various affirmative and negative covenants, including certain reporting requirements.

Total interest of \$80,000 and \$20,000 related to QLICI Loan A and QLICI Loan B has been capitalized for the years ended May 31, 2025 and 2024, respectively.

Debt issuance costs of \$877,199 related to QLICI Loan A and QLICI Loan B are capitalized and being amortized to interest over the term of the loans. No amounts were amortized for the years ended May 31, 2025 and 2024.

On December 22, 2023, the City of Cincinnati provided Landlord a \$1,000,000 loan to support the acquisition of the property related to the Emery Theater Project. The loan bears no interest, has a 10-year term, and requires a balloon payment of all unpaid and unforgiven principal due at maturity. At maturity, so long as the property is operated as a theater, the City of Cincinnati will forgive 100% of the loan.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 6 NOTE RECEIVABLE AND NOTES PAYABLE (CONTINUED)

Other Financing

Effective December 7, 2023, TCT entered two draw loans with CFBank National Association to finance the Emery Theater Project and support gaps in timing of collection of capital pledges, as follows:

- Loan draws up to \$7,000,000 are available for advance through December 7, 2025, during which time monthly interest-only payments at a rate of 1-Month Term SOFR plus 2.5% were due on outstanding principal. The loan matures on December 7, 2030. The loan is secured by certain investments, the fair value of which cannot fall below four million dollars, and is guaranteed by a private foundation in Cincinnati, Ohio. The loan has certain covenants, including minimum unrestricted liquidity requirements.
- Loan draws up to \$9,507,707 are available for advance through December 7, 2025, during which time monthly interest-only payments at a rate of 1-Month Term SOFR plus 2.5% are due on outstanding principal. Loan matures on December 7, 2028. The loan is secured by secured by an open-end mortgage, assignment of leases and rents and a security agreement for its real estate on Red Bank Road as well as donor pledges related to the Emery Theater Project. The loan has certain covenants, including minimum unrestricted liquidity requirements.

No amounts were outstanding on the two CFBank National Association draw loans as of May 31, 2024 and no amounts were drawn during the year ended May 31, 2025. On May 8, 2025, both draw loans were closed. There were \$112,612 of debt issuance costs related to the draw loans that were capitalized to be amortized to interest over the term of the loans. When the loans were closed in 2025, the unamortized debt issuance costs were recognized as a loss on extinguishment of debt in the consolidated statement of activities.

Effective May 23, 2025, TCT entered a draw loan with Fifth Third Bank to finance the Emery Theater Project. Loan draws up to \$7,000,000 are available for advance through May 23, 2028, at which point all unpaid advances and interest are due. Draws on the loan bear interest at 1-Month Term SOFR plus 1.95% (6.325% at May 31, 2025). Quarterly, repayment of any outstanding draws is required from the collection of pledges during that quarter. The loan is secured by certain investments, the fair value of which cannot fall below five million dollars. The loan has certain covenants, including debt service coverage and minimum liquidity. As of May 31, 2025, the outstanding balance of the note payable was \$-0-.

Aggregate future annual maturities of notes payable with balances at May 31, 2025 (QLICI Loan A, QLICI Loan B, City of Cincinnati) are:

2026	\$	-
2027		-
2028		-
2029		-
2030		-
Thereafter		<u>9,000,000</u>
		9,000,000
Less debt issuance costs		<u>877,199</u>
		<u><u>\$ 8,122,801</u></u>

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of May 31:

	2025	2024
Donor-restricted endowments (including appreciation above original gift amount of \$1,206,375 and \$756,375) at May 31, 2025 and 2024, respectively) subject to spending policy and appropriation for:		
Emery Theater Preservation Fund	\$ 1,040,003	\$ 559,610
Jay Depenbrock Scenic Design Chair	197,320	214,434
Lottie Crane Choreography Chair	233,917	212,257
Total endowments	1,471,240	986,301
Restricted as to purpose:		
Emery Theatre Project	38,644,400	32,983,537
Ticket underwriting	-	100,000
Other	30,925	27,914
Total restricted as to purpose	38,675,325	33,111,451
Total net assets with donor restrictions	\$ 40,146,565	\$ 34,097,752

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the occurrence of other events specified by the donors during May 31, 2025 and 2024 as follows:

	2025	2024
Purpose restriction fulfilled:		
Emery Theatre Project - professional fees	\$ 116,627	\$ 677,913
Tour underwriting	45,500	75,500
MainStage	8,000	48,000
Ticket underwriting	298,750	119,500
Scenic Design	38,600	-
Other	52,500	34,000
	\$ 559,977	\$ 954,913

THE CHILDREN’S THEATRE OF CINCINNATI AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
(Continued)**

NOTE 8 ENDOWMENTS

TCT’s endowment consists of donor-restricted and board-designated endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

TCT’s Board of Trustees follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the donor-restricted endowment and the original value of subsequent gifts are classified as net assets with donor restrictions (a time restriction in perpetuity). Accumulated investment return from the donor-restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Board of Trustees.

The endowment net asset composition by type of fund is as follows as of May 31:

	2025	2024
Without donor restrictions:		
Board-designated endowment	\$ 6,623,574	\$ 6,399,918
With donor restrictions		
Donor-restricted endowments, at historical value required to be maintained in perpetuity	1,206,375	756,375
Accumulated net appreciation of endowments required to be maintained in perpetuity	264,865	229,926
Total with donor restrictions	1,471,240	986,301
Total endowments	\$ 8,094,814	\$ 7,386,219

The changes in endowment net assets for the years ended May 31 are as follows:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - 5/31/2023	\$ 5,783,046	\$ 359,695
Contributions	8,659	550,000
Investment gain, net	993,925	76,606
Appropriated earnings	(385,712)	-
Endowment net assets - 5/31/2024	6,399,918	986,301
Contributions	-	450,000
Investment gain, net	611,456	73,539
Appropriated earnings	(387,800)	(38,600)
Endowment net assets - 5/31/2025	\$ 6,623,574	\$ 1,471,240

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 8 ENDOWMENTS (CONTINUED)

Investment Policy

TCT has adopted an investment policy for endowment assets that attempts to provide for the preservation of capital with a reasonable amount of long-term growth without undue exposure risk. The overall financial objectives of the endowment are (1) to support the current and future operations of TCT and (2) to preserve and enhance the purchasing power of the endowment. To accomplish these goals, the endowment aims to generate total annual returns from investments, net of fees, between 6-8% and preferably greater than its spending rate over the long term.

The Board of Trustees intends to meet the stated long-term investment objectives through equity-focused allocation and broad diversification. The day-to-day management of the endowment will be delegated to professional managers to provide access to a wider investment opportunity and a deeper team of investment professionals. The professional managers will manage the endowment based on expected asset allocations and rebalancing identified by the Finance Committee of the Board of Trustees.

Spending Policy

TCT has a policy of appropriating for distribution up to five percent of the recent three-year average of the endowment's market value as calculated annually at the first day of the fiscal year. The policy allows for a three-year retroactive and cumulative amount to spend if not spent in the prior years. In establishing this policy, TCT considers the long-term expected return on its endowment. The appropriated earnings from the donor-restricted endowment are to be used by TCT to support specific purposes while the Board-designated endowment earnings can be used to support any operating needs.

NOTE 9 RETIREMENT PLANS

TCT has a 403(b)-retirement plan that covers substantially all full-time, non-union employees. Eligible participants may make voluntary tax-deferred contributions and are eligible for discretionary employer profit-sharing contributions after one year of service. TCT's Board of Trustees approved a discretionary contribution equal to 2% of eligible compensation for 2025 and 2024. Expenses related to the 403(b) retirement plan were \$23,422 and \$23,510 in 2025 and 2024, respectively.

In addition, TCT contributes to a multi-employer pension plan ("the Plan") (Legal Name: Cincinnati Stage Employees Local 5 Pension Plan, EIN: 31-0329926, Plan No. 001) under the terms of a collective bargaining agreement that covers employees of Cincinnati Stage Employees Local No. 5. The Plan provides fixed retirement payments on the basis of the credits earned by the participating employees. The risks of participating in multi-employer plans are different from those of a single-employer plan. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers. If TCT chooses to stop participating in the multi-employer plan, then TCT may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 9 RETIREMENT PLANS (CONTINUED)

TCT operates under a collective bargaining agreement that expired on September 30, 2024 and required 8% of union wages be made to this Plan for 2025 and 2024. TCT continues cooperating under the same terms after the agreement expiration. TCT's contributions to the Plan were \$14,911 in 2025 and \$16,191 in 2024. There have been no significant changes that affect the comparability of the 2025 and 2024 contributions. Based on information as of December 31, 2023, the year end of the Plan, TCT's contributions made to Cincinnati Stage Employees Local No. 5 were not more than 5% of the total contributions received by the Plan. The Plan's funded status for the year ended December 31, 2023, is 108%. Information for the Plan pertaining to its year ended December 31, 2024 is not yet available.

Under the same collective bargaining agreement, the Organization is required to contribute 5% of union wages to the International Alliance of Theatrical Stage Employees (I.A.T.S.E) Annuity Plan. Contributions were \$9,320 in 2025 and \$10,120 in 2024.

NOTE 10 LEASES

The Organization has an operating lease for warehouse space that was set to expire in January 2026. During 2025, the lease was extended through May 2031 with the option to terminate the lease up to one year prior, which is included in the lease term determination. Lease expense was \$42,866 in both 2025 and 2024.

Other information related to leases was as follows year the year ending May 31:

	<u>2025</u>	<u>2024</u>
Operating cash flows from operating leases	\$ 44,556	\$ 43,252
ROU assets obtained in exchange for lease obligations	235,090	-
Weighted average remaining lease term in years	4.83	1.67
Weighted average discount rate	4.12%	2.94%

Future minimum lease payments under non-cancellable operating lease as of May 31, 2025 were as follows:

2026	\$ 47,812
2027	53,033
2028	54,590
2029	56,180
2030	48,117
Total future minimum lease payments	<u>259,732</u>
Less imputed interest	<u>(24,642)</u>
Total	<u><u>\$ 235,090</u></u>

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 11 EVENT INCOME

The Organization reports event income net of direct costs as the events are not considered ongoing and major activities of the Organization. Event income, net of expenses consisted of the following for the years ending May 31:

	2025	2024
Event proceeds - gross	\$ 87,571	\$ 147,011
Direct costs of events	(53,585)	(32,326)
	\$ 33,986	\$ 114,685

NOTE 12 IN-KIND CONTRIBUTIONS

The Organization receives certain donated goods and services, which are recorded at fair value as in-kind revenue and expense or property and equipment in the financial statements as follows for the years ending May 31:

	2025	2024
Media time and advertising	\$ 75,342	\$ 86,620
Rentals	69,606	33,240
Other	15,908	15,530
Theater property - purchased at a discount	-	3,406,624
	\$ 160,856	\$ 3,542,014

The Organization estimated the fair value of the theater property it purchased at a discount based on an appraisal at the time of contribution. The Organization estimated the fair value of rentals based on amounts that would be charged for similar space that is rented under similar terms. The Organization estimated the fair value of media time and advertising and other items based on current rates for similar service. All in-kind contributions are used in the Organization's program services and management and general services and do not have donor restrictions.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Landlord entered into construction contracts related to the Emery Theater Project in the total amount of \$38,490,600 inclusive of change orders. As of May 31, 2025 and 2024, approximately \$8,713,859 and \$30,828,000 in commitments remain on the contract, respectively.

The historic rehabilitation tax credits are contingent on the Organization's ability to maintain compliance with applicable sections of Section 47 and Section 50 of the Internal Revenue Code. The Landlord's NMTCs are contingent on the ability to comply with Section 45D of the IRC. Failure to maintain compliance or to correct noncompliance within a specific time period could result in recapture of previously taken tax credits plus interest.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

In connection with the HTC transaction, the unrelated 100% member of TCT Cincinnati Investment Fund, LLC (Fund) has the right and option to sell its 100% interest in the Fund to TCT at the end of the seven-year credit compliance period for a put option purchase price of \$1,000 plus taxes and closing costs and any amounts due and owed to unrelated member under a QALICB NMTC Indemnity, as defined in the agreement. If that put option is not exercised, TCT has the right and option to purchase the 100% interest in the Fund at its fair market value. Management does not believe these options are material to the financial statements.

In connection with the HTC and NMTC transactions, TCT guarantees the completion of the project, the repayment of related notes payable, and the indemnification of investors for certain matters. Construction will be complete, and occupancy is scheduled, in the Fall of 2025. Management does not believe any of the guarantees require additional accrual or disclosure.

NOTE 14 HISTORIC TAX CREDIT (HTC) PASS-THROUGH AGREEMENT

The Landlord made an election to transfer its portion of the Federal HTCs generated from the Emery Theater Project to the Master Tenant. Generally, the Federal HTCs are available for use by its members on the date the qualified rehabilitation expenditures (QREs) are placed-in-service and are equal to 20% of the QREs with respect to any certified historic structure. In order to qualify for the Federal HTCs, the Landlord must comply with various federal requirements. These requirements include, but are not limited to, the Emery Theater Project being listed as a certified historic structure in the National Register or being located in a registered historic district, certified by the Secretary of the Interior to the Secretary of the Treasury as being of historic significance to the district, and the rehabilitation being performed in a manner consistent with standards established by the Secretary of Interior. In addition, the ability to sell or transfer the property is limited for a five year period commencing on the date the Emery Theater Project is placed-in-service. Because the Federal HTCs are subject to complying with certain requirements, there can be no assurance that the aggregate amount of the Federal HTCs will be realized and failure to meet all such requirements may result in generating a lesser amount of Federal HTCs than the expected amount. The QREs are anticipated to be placed-in-service in the Fall of 2025.

NOTE 15 RELATED PARTY TRANSACTIONS

The Organization uses a corporation owned by a board member of TCT for the renovation of the Emery Theater Project. Using a design build concept, the Organization pays this corporation for all expenses, and the corporation then pays all other contractors. The Organization paid \$21,112,153 and \$5,759,383 for fees and services in 2025 and 2024, respectively. Amounts due to the corporation at May 31, 2025 and 2024, are \$2,713,627 and \$1,712,553, respectively.

Landlord received advances from TCT related to development activities. As of May 31, 2025 and 2024, \$700,715 and \$593,376 remains unpaid and is included in due to/from affiliate. TCT received funding on behalf of Landlord related to a forgivable loan with the City of Cincinnati. As of May 31, 2025 and 2024, \$1,000,000 remains unpaid and is included in due to/from affiliate. Amounts are eliminated in consolidation.

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

NOTE 15 RELATED PARTY TRANSACTIONS (CONTINUED)

Priority Returns

Pursuant to its operating agreement of the Master Tenant, NTCIC, the Investor Member of the Master Tenant is to receive a cumulative, annual priority return distribution in an amount equal to 1.5% of paid-in capital contributions. Any priority return not distributed shall accrue with interest at a rate equal to designated prime rate plus two percent and remain payable in accordance with the terms of the operating agreement. As of May 31, 2025 and 2024, the Investor Member has made paid-in contributions in the amount of \$1,574,502 and priority return earned and unpaid were not material to the financial statements. Unpaid annual returns are not accrued on the consolidated statement of financial position but recorded when paid.

Operating Deficit Loans

The Managing Member shall provide a loan to the Master Tenant during the initial operating period to cover operating deficits. The operating deficit loan shall bear no interest and shall be repaid in accordance with the terms of the operating agreement. As of May 31, 2025 and 2024, no operating deficit loans have been advanced.

Subordinated Loans

The Managing Member has the right to make subordinated loans to the Master Tenant, in accordance with the operating agreement, to fund operating deficits or other reasonable and necessary obligations. Subordinated loans shall bear interest at a rate equal to the designated prime rate plus 2.00%, compounded annually. Subordinated loans shall be repaid in accordance with the terms of the operating agreement and are unsecured. As of May 31, 2025 and 2024, no subordinate loans have been advanced.

Master Lease and Sublease Agreements

Maser Tenant has entered into a master lease agreement with Landlord to lease the Emery Theater Project commencing on date it is placed in service and continuing for 19.5 years, unless sooner terminated as provided for in the agreement. The lease payments are set forth in the master lease agreement and are receivable (payable) in quarterly installments during each lease year. As of May 31, 2025 and 2024, the lease has not yet commenced and the lease value is approximately \$3,660,000.

TCT has entered into a sublease agreement with Master Tenant to sublease the Emery Theater Project commencing on date of possession and continuing for 8.5 years, with the option to extend for two additional periods of four years. The lease payments are set forth in the sublease agreement and are receivable (payable) in quarterly installments during each lease year. As of May 31, 2025 and 2024, the lease has not yet commenced and the lease value is approximately \$2,386,000.

SUPPLEMENTARY INFORMATION

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Consolidating Statement of Financial Position Year Ended May 31, 2025

	TCT	Manager & SHTC	Master Tenant	Landlord	Eliminations	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 5,956,900	\$ 150	\$ 150	\$ -	\$ -	\$ 5,957,200
Pledges, grants, and other receivables, net	2,082,333	-	-	-	-	2,082,333
Prepaid expenses and other assets	189,114	-	-	-	-	189,114
Due from affiliates	701,015	-	-	1,000,000	(1,701,015)	-
Total current assets	8,929,362	150	150	1,000,000	(1,701,015)	8,228,647
Restricted cash	-	-	228,750	226,725	-	455,475
Pledges, grants, and other receivables, net, less current portion	1,281,394	-	-	-	-	1,281,394
Investments	7,147,564	-	-	-	-	7,147,564
Investments restricted by donors for endowment	1,471,240	-	-	-	-	1,471,240
Investment in affiliates	28,305,288	24,898,664	1,363,503	-	(54,567,455)	-
Property and equipment, net	4,564,915	-	-	38,289,103	3,406,624	46,260,642
Right of use asset, net - operating lease	235,090	-	-	-	-	235,090
Other assets	35,500	-	-	-	-	35,500
Note receivable	5,775,200	-	-	-	-	5,775,200
Total assets	<u>\$ 57,745,553</u>	<u>\$ 24,898,814</u>	<u>\$ 1,592,403</u>	<u>\$ 39,515,828</u>	<u>\$ (52,861,846)</u>	<u>\$ 70,890,752</u>
Liabilities and Net Assets						
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	\$ 360,157	\$ -	\$ -	\$ 4,493,303	\$ -	\$ 4,853,460
Due to affiliates	1,000,000	150	150	700,715	(1,701,015)	-
Lease liability - operating lease, current	40,555	-	-	-	-	40,555
Deferred revenue	708,947	-	-	-	-	708,947
Total current liabilities	2,109,659	150	150	5,194,018	(1,701,015)	5,602,962
Lease liability - operating lease, less current portion	194,535	-	-	-	-	194,535
Notes payable, net	-	-	-	8,122,801	-	8,122,801
Total liabilities	<u>2,304,194</u>	<u>150</u>	<u>150</u>	<u>13,316,819</u>	<u>(1,701,015)</u>	<u>13,920,298</u>
Net Assets						
Without donor restrictions						
Undesignated	4,106,305	-	-	-	(3,406,624)	699,681
Net investment in property and equipment	4,564,915	-	-	-	3,406,624	7,971,539
Board-designated endowment	6,623,574	-	-	-	-	6,623,574
Member's equity	-	24,898,664	63,158	26,199,009	(51,160,831)	-
Noncontrolling interest	-	-	1,529,095	-	-	1,529,095
Total net assets without donor restrictions	15,294,794	24,898,664	1,592,253	26,199,009	(51,160,831)	16,823,889
With donor restrictions	40,146,565	-	-	-	-	40,146,565
Total net assets	<u>55,441,359</u>	<u>24,898,664</u>	<u>1,592,253</u>	<u>26,199,009</u>	<u>(51,160,831)</u>	<u>56,970,454</u>
Total liabilities and net assets	<u>\$ 57,745,553</u>	<u>\$ 24,898,814</u>	<u>\$ 1,592,403</u>	<u>\$ 39,515,828</u>	<u>\$ (52,861,846)</u>	<u>\$ 70,890,752</u>

See Independent Auditors' Report

THE CHILDREN'S THEATRE OF CINCINNATI AND SUBSIDIARIES

Consolidating Statement of Activities Year Ended May 31, 2025

	TCT	Manager & SHTC	Master Tenant	Landlord	Eliminations	Total
Revenues and other support						
Performance income	\$ 1,897,501	\$ -	\$ -	\$ -	\$ -	\$ 1,897,501
Academy income	400,787	-	-	-	-	400,787
Contributions, grants, and sponsorships	6,989,418	-	-	-	-	6,989,418
In-kind contributions	160,856	-	-	-	-	160,856
Event income, net of expenses	33,986	-	-	-	-	33,986
Other revenues	85,855	-	-	-	-	85,855
Total revenues and other support	<u>9,568,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,568,403</u>
Expenses						
Program services						
TCT MainStage	2,790,368	-	-	-	-	2,790,368
TCT Academy	467,302	-	-	-	-	467,302
TCT on Tour	129,454	-	-	-	-	129,454
Summer camps and other programs	182,375	-	-	-	-	182,375
Total program services	<u>3,569,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,569,499</u>
Support services						
Management and general	603,945	2,500	16,000	58,075	-	680,520
Fundraising	576,571	-	-	-	-	576,571
Total support services	<u>1,180,516</u>	<u>2,500</u>	<u>16,000</u>	<u>58,075</u>	<u>-</u>	<u>1,257,091</u>
Total expenses	<u>4,750,015</u>	<u>2,500</u>	<u>16,000</u>	<u>58,075</u>	<u>-</u>	<u>4,826,590</u>
Change in net assets before other changes	4,818,388	(2,500)	(16,000)	(58,075)	-	4,741,813
Other income (loss)						
Investment return, net	1,176,068	-	-	-	-	1,176,068
Investment loss in Affiliate	(49,236)	(46,736)	(11,615)	-	107,587	-
Loss on extinguishment of debt	(112,612)	-	-	-	-	(112,612)
Total other income (loss)	<u>1,014,220</u>	<u>(46,736)</u>	<u>(11,615)</u>	<u>-</u>	<u>107,587</u>	<u>1,063,456</u>
Change in net assets	5,832,608	(49,236)	(27,615)	(58,075)	107,587	5,805,269
Member capital activity						
Capital contributions	-	21,439,751	-	21,437,251	(42,877,002)	-
Net assets, beginning of year	<u>49,608,751</u>	<u>3,508,149</u>	<u>1,619,868</u>	<u>4,819,833</u>	<u>(8,391,416)</u>	<u>51,165,185</u>
Net assets, end of year	<u>\$ 55,441,359</u>	<u>\$ 24,898,664</u>	<u>\$ 1,592,253</u>	<u>\$ 26,199,009</u>	<u>\$ (51,160,831)</u>	<u>\$ 56,970,454</u>

See Independent Auditors' Report