

Report of Independent Auditors and
Consolidated Financial Statements

Geffen Playhouse, Inc.

August 31, 2025 and 2024

 **bakertilly**

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Report of Independent Auditors

The Audit Committee of the Board of Directors
Geffen Playhouse, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Geffen Playhouse, Inc., which comprise the consolidated statement of financial position as of August 31, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Geffen Playhouse, Inc., as of August 31, 2025, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Geffen Playhouse, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

The accompanying consolidated financial statements have been prepared assuming Geffen Playhouse, Inc., will continue as a going concern. As discussed in Note 15 to the consolidated financial statements, Geffen Playhouse, Inc., has suffered losses and negative cash flows from operating activities. Management's evaluation of the events and management's plans to mitigate those matters are also described in Note 15. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Geffen Playhouse, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Geffen Playhouse, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Geffen Playhouse, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

Prior Period Summarized Comparative Financial Information

We have previously audited the August 31, 2024, consolidated financial statements, and our report, dated February 10, 2025, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Baker Tilly US, LLP

Los Angeles, California

February 2, 2026

Consolidated Financial Statements

Geffen Playhouse, Inc.
Consolidated Statements of Financial Position
August 31, 2025 and 2024

ASSETS	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 179,668	\$ 204,710
Investments	4,737,959	7,328,445
Pledges receivable	922,355	934,261
Other receivables	224,984	330,138
Deposits	151,617	151,617
Prepaid expenses and other assets	<u>1,036,827</u>	<u>1,027,853</u>
Total current assets	7,253,410	9,977,024
LEASEHOLD INTEREST IN BUILDING, net	1,117,191	1,231,774
PROPERTY AND EQUIPMENT, net	10,334,583	11,022,867
RIGHT-OF-USE ASSET, operating	106,846	37,091
RIGHT-OF-USE ASSET, finance	121,407	176,743
PLEDGES RECEIVABLE, net	<u>1,244,855</u>	<u>1,065,424</u>
Total assets	<u>\$ 20,178,292</u>	<u>\$ 23,510,923</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 944,293	\$ 1,154,880
Current portion of operating lease liability	38,872	28,122
Current portion of finance lease liability	26,072	54,803
Deferred revenue – tickets	2,093,761	2,584,414
Deferred revenue – enhancement funds	475,000	588,000
Deferred revenue – other	570,667	580,784
Line of credit	<u>500,000</u>	<u>500,000</u>
Total current liabilities	4,648,665	5,491,003
OPERATING LEASE LIABILITY, net of current portion	67,974	8,969
FINANCE LEASE LIABILITY, net of current portion	<u>95,335</u>	<u>121,940</u>
Total liabilities	<u>4,811,974</u>	<u>5,621,912</u>
NET ASSETS		
Without donor restrictions	1,403,032	5,322,149
With donor restrictions	<u>13,963,286</u>	<u>12,566,862</u>
Total net assets	<u>15,366,318</u>	<u>17,889,011</u>
Total liabilities and net assets	<u>\$ 20,178,292</u>	<u>\$ 23,510,923</u>

See accompanying notes.

Geffen Playhouse, Inc.
Consolidated Statements of Activities
Year Ended August 31, 2025
With Summarized Comparative Information for the Year Ended August 31, 2024

	Year Ended August 31, 2025			
	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
THEATER OPERATING REVENUE				
Ticket sales – single	\$ 3,247,636	\$ -	\$ 3,247,636	\$ 3,477,338
Ticket sales – season subscription	2,467,119	-	2,467,119	2,549,118
UCLA reimbursed maintenance	910,784	-	910,784	831,127
Other income	364,315	-	364,315	222,632
Innovation	734,772	-	734,772	449,240
Production enhancement	113,211	-	113,211	435,000
Interest and investment (expense) income, net	(1,981)	-	(1,981)	20,419
 Total operating revenue	 7,835,856	 -	 7,835,856	 7,984,874
THEATER OPERATING EXPENSES				
Program services	12,864,270	-	12,864,270	14,427,501
Management and general	1,907,778	-	1,907,778	1,881,159
 Total operating expenses	 14,772,048	 -	 14,772,048	 16,308,660
 Theater operating loss	 (6,936,192)	 -	 (6,936,192)	 (8,323,786)
CONTRIBUTED INCOME				
Contributions	2,719,686	1,423,263	4,142,949	4,205,495
Net assets released from restrictions	765,086	(765,086)	-	-
 Total contributed income	 3,484,772	 658,177	 4,142,949	 4,205,495
OTHER SUPPORT				
Special events	-	307,437	307,437	925,358
Government grants	93,500	-	93,500	105,930
Endowment earnings	-	708,810	708,810	986,883
Appropriated endowment earnings	278,000	(278,000)	-	-
 Total other support	 3,856,272	 1,396,424	 5,252,696	 6,223,666
OTHER EXPENSES				
Fundraising services	815,558	-	815,558	1,649,963
Special events	23,639	-	23,639	374,373
 Total other expenses	 839,197	 -	 839,197	 2,024,336
 Net other income	 3,017,075	 1,396,424	 4,413,499	 4,199,330
CHANGE IN NET ASSETS				
	(3,919,117)	1,396,424	(2,522,693)	(4,124,456)
 NET ASSETS, beginning of year	 5,322,149	 12,566,862	 17,889,011	 22,013,467
 NET ASSETS, end of year	 \$ 1,403,032	 \$ 13,963,286	 \$ 15,366,318	 \$ 17,889,011

See accompanying notes.

Geffen Playhouse, Inc.
Consolidated Statements of Cash Flows
Years Ended August 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,522,693)	\$ (4,124,456)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Change in discount of pledges receivable	(15,681)	(439,255)
Depreciation and amortization	722,323	739,486
Amortization of leasehold interest in building	114,583	114,583
Noncash lease expense	138,180	109,701
Noncash contributions of marketable securities	-	(280,466)
Changes in operating assets and liabilities		
Pledges receivable, net	(151,844)	1,916,963
Other receivables	105,154	(164,369)
Deposits	-	3,662
Prepaid expenses and other assets	(8,974)	(244,922)
Accounts payable and accrued expenses	(210,587)	509,661
Operating lease liability	(71,144)	(71,762)
Deferred revenue	<u>(613,770)</u>	<u>(50,188)</u>
Net cash used in operating activities	<u>(2,514,453)</u>	<u>(1,981,362)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	812,812	1,064,006
Purchases of investments	(1,272,326)	(1,258,116)
Purchases of property and equipment	<u>(34,039)</u>	<u>(368,712)</u>
Net cash used in investing activities	<u>(493,553)</u>	<u>(562,822)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from endowment loans	3,050,000	2,075,000
Payments on principal of finance leases	(67,036)	(37,939)
Borrowings on line of credit, net	-	10,000
Net cash provided by financing activities	<u>2,982,964</u>	<u>2,047,061</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
CHANGE IN CASH AND CASH EQUIVALENTS, beginning of year	<u>204,710</u>	<u>701,833</u>
CHANGE IN CASH AND CASH EQUIVALENTS, end of year	<u>\$ 179,668</u>	<u>\$ 204,710</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 82,097</u>	<u>\$ 39,893</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
RIGHT-OF-USE assets obtained in exchange for new operating lease liabilities	<u>\$ 140,899</u>	<u>\$ 50,237</u>
RIGHT-OF-USE assets obtained in exchange for new finance lease liabilities	<u>\$ 11,700</u>	<u>\$ 148,665</u>

See accompanying notes.

Geffen Playhouse, Inc.

Notes to Consolidated Financial Statements

Note 1 – Organization

Geffen Playhouse, Inc. (a nonprofit organization) (Organization) is devoted to providing professional quality theater through a series of productions, workshops, seminars, and play readings for the city of Los Angeles, surrounding counties, and the University of California at Los Angeles (UCLA). An active member of the community, the Organization has education and outreach programs that target students, seniors, and others who otherwise would not have access to live theater. The Organization strives to produce original, quality works that inspire thought, evoke conversation, and engage the community in the live arts. The Organization, incorporated on August 29, 1994, was previously named Westwood Playhouse, Inc. Geffen Playhouse Films, LLC (GP Films) is a wholly owned for profit entity started and owned by the Organization for purposes of producing and distributing video productions of theatrical performances at the Organization.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) assuming the Organization will continue as a going concern. The going concern assumption contemplates the realization of assets and satisfaction of liabilities in the normal course of business. However, substantial doubt about the Company's ability to continue as a going concern exists.

Principles of consolidation – The consolidated financial statements include the accounts of Geffen Playhouse, Inc. and Geffen Playhouse Films. All significant transactions between the entities have been eliminated in the consolidated financial statements.

Financial statement presentation – The Organization classifies revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization. Included in net assets without donor restrictions are certain funds designated by the Board of Directors (the Board).
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time, and net assets that are restricted by the donors for investment in perpetuity. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying consolidated financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as support without donor restrictions.

Geffen Playhouse, Inc.

Notes to Consolidated Financial Statements

Revenue recognition – *Ticket sales* – Revenues from performances are recognized when the related performance is presented. Revenues from ticket sales received in advance of the performance are deferred and recognized when the performance is presented. Revenue from season ticket sales, which are received in advance of the related production season, is deferred. Expenses (construction sets and props) for productions to be presented in subsequent fiscal years are deferred and subsequently expensed in the year in which the production occurs. Concession and merchandise revenue is recognized at a point in time when the items are sold. Ticket handling fees are recognized at a point of time as tickets are sold. The production season typically is from September 1 to August 31, though occasionally, shows for the upcoming season may begin before September 1.

UCLA reimbursed maintenance – As further explained in Note 12, the Organization incurs expenses for the maintenance of the facility, which are either paid directly or reimbursed by UCLA. Accordingly, the Organization recognizes certain maintenance expenses as incurred and records the reimbursement from UCLA as theater operating revenue. The revenue for these transactions is recognized at a point in time, which is the same time the expense is incurred.

Other income – Other income includes royalties and sponsorships. Royalties represent revenue earned under agreements with other performing arts-related entities for the use of specific productions created by the Organization. Revenue is recognized as others perform the productions as the Organization's performance obligation for the provision of the rights to use of its production is completed. Sponsorships represent revenue earned under agreements with large companies for marketing on materials distributed to patrons and online platforms.

Special events – Special events revenue is generated from sponsorships, ticket sales, and sale of items at events held during the year and is recognized when the events occur, which is the completion of the Organization's performance obligation.

Deferred revenue – Deferred revenue for single tickets, season subscriptions, and other represents tickets purchased in advance and gift certificates. These revenues are recognized when the related performance is presenting. Deferred revenue for enhancement funds represents funds received from others to expand budgets for specific productions. Revenue is recognized when the performance obligations present in the associated agreements are completed, which is generally when the related performance is performed.

The Organization's deferred revenue balance decreased to \$3,139,428 at August 31, 2025, from \$3,753,198 at August 31, 2024. The deferred revenue balance was \$3,803,386 as of September 1, 2023. The changes in deferred revenues were caused by normal timing differences between the satisfaction of performance obligations and customer payments.

Contributions – Unconditional contributions received, including unconditional promises to give, are recorded as support with or without donor restrictions depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions which limit the use of the donated assets are reported as support with donor restrictions if the restrictions are not met in the same reporting period. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as assets with donor restrictions. Contributions received at the Organization's various special events held throughout the year are presented as special events revenue in the consolidated statements of activities.

Geffen Playhouse, Inc. **Notes to Consolidated Financial Statements**

Unconditional promises to give with payments due in future periods are reported as support with donor restrictions and are discounted to net present value at an appropriate credit adjusted discount rate. Gifts of land, buildings, and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. 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 are reported as support with donor restrictions. Absent explicit donor stipulation, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. A conditional promise to give for \$2,000,000 was received during the year ended August 31, 2022. The gift was conditional upon matching gifts being received from members of the Board. In January 2026, the Organization met the matching condition. The Organization then recorded the \$2,000,000 as an unconditional pledge to the endowment fund.

Contributions of nonfinancial assets – The Organization receives various forms of gifts-in-kind (GIK) including in-kind services, experiences and goods that are monetized when auctioned off at special events. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expenses when utilized. GIK are valued based upon estimates of fair value that would be received for selling the goods or services in their principal market at the time the goods or services are contributed by the donor. During both of the years ended August 31, 2025 and 2024, the Organization recognized no GIK.

Government grants – Individual governmental grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when allowable expenses are incurred.

Production enhancements – Production enhancements represent funds received from others to expand budgets for specific productions. Revenue is recognized when the performance obligations present in the associated agreements are completed, which is generally when the related performance is performed.

Innovation – Innovation revenues represent funds received from others to expand filming, streaming, and podcast of Geffen Productions and produce Broadway productions. Revenue is recognized when the productions are completed.

Functional allocation of expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Depreciation, interest, and facilities costs are allocated to functional categories based on square footage dedicated to the specific function. Labor is allocated to functional categories based on time spent on activities within each function.

Cash and cash equivalents – The Organization considers all highly liquid investments with a maturity at the date of purchase of three months or less to be cash and cash equivalents.

Geffen Playhouse, Inc. **Notes to Consolidated Financial Statements**

Investments – Investments are reported at their fair values in the consolidated statements of financial position. Realized and unrealized gains and losses net of investment expenses are included in interest and investment income, net on the consolidated statements of activities.

Exchange traded funds are valued based on the quoted market prices. UCLA Foundation's short-term investment pool (STIP) is valued based on net asset value of shares held by the Organization at year end. The fair value of the STIP is based on information provided by the UCLA Foundation fund managers at the most recent valuation date prior to fiscal year end adjusted for certain cash flows. Management agrees with the assumptions used and fair values determined by the UCLA Foundation fund managers. Management monitors the activity of the STIP and performs reconciliations and other procedures to assure that the valuation used in the consolidated financial statements is accurately stated.

The Organization receives a pro rata share of the income from the investment pool. Shares of the STIP are purchased or redeemed at a constant value of \$1 per share. The investments of the pool are comprised of banker's acceptance instruments, commercial paper, corporate debt securities, and United States government and agency obligations. These funds are available to the Organization at any time subject to a maximum of two withdrawals per month. At August 31, 2025 and 2024, the Organization had \$43,592 and \$41,629, respectively, of funds held by the UCLA Foundation.

On August 31, 2018, the Organization transferred its endowed funds previously held by the UCLA Foundation to University of California (UC) Regents. Beneficial interests in UC Regent's Total Return Investment Pool and General Endowment Pool are reported at their fair values in the consolidated statements of financial position. Beneficial interests are classified within Level 3 of the fair value hierarchy. Securities classified within Level 3 are based on valuations provided by the external investment managers. Management, in conjunction with the external investment advisor, monitors the valuation of the investments periodically throughout the year. The valuations consider variables such as fair value principles, net asset value, and other recognized fair values of underlying securities. Realized and unrealized gains and losses are included in the change in net assets.

The value of the beneficial interest balance was \$4,648,671 and \$7,286,816 as of August 31, 2025 and 2024, respectively.

Pledges receivable – Unconditional promises to give are recorded, at their estimated net realizable value, as receivables and gift revenues and require the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions to be received after one year are discounted at an appropriate discount rate, ranging from 3.58% to 3.92%, commensurate with the risks involved and recorded in their respective net asset category. An allowance for uncollectible pledges receivable may be provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity. As of August 31, 2025 and 2024, no allowance has been provided.

Other receivables – Other receivables consists of reimbursement due from UCLA for maintenance expenses as described in Note 12.

Geffen Playhouse, Inc.
Notes to Consolidated Financial Statements

Allowance for credit losses – An allowance for credit losses is based on management's analysis of historical collection experience, current and reasonable supportable expected future economic conditions, and the customer or producer's willingness or ability to pay. Receivables are considered past due when payments are not received according to an established payment schedule. Receivables are written off against the allowance in the period deemed uncollectible. The Organization does not obtain collateral. As of August 31, 2025 and 2024, no allowance for credit losses has been recorded.

Property and equipment – Property and equipment are stated at cost if purchased or fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally between 3 and 10 years. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized using the straight-line method ranging from 10–40 years or the shorter of the estimated useful life of the asset or the lease term. The Organization maintains a capitalization policy for expenditures in excess of \$1,500.

Long-lived assets – The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. No impairment losses were recognized during the years ended August 31, 2025 and 2024.

Lease accounting – Lease liabilities and their corresponding right-of-use (ROU) assets are recorded based on the present value of lease payments over the expected remaining lease term. The Organization considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial position. See Note 9 – Leases, for further information.

Income taxes – The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the Revenue Taxation Code of California. As a limited liability company, GP Films is not subject to federal income tax. The investors separately account for their pro rata share of GP Film's items of income, deductions, losses, and credits. Therefore, no provision is made in the accompanying consolidated financial statements for liabilities for federal income taxes since such liabilities are the responsibility of the individual investors.

During the years ended August 31, 2025 and 2024, the Organization performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the consolidated financial statements or which may have an effect on its tax-exempt status.

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

Geffen Playhouse, Inc. **Notes to Consolidated Financial Statements**

Operating measure – The Organization divides its consolidated statements of activities into theater and other activities. The theater activities of the Organization include all income and expenses related to carrying out its theater productions and outreach and education initiatives. Theater revenues include investment income and investment gains used to fund current operations.

Contributions and other support and expenses include current year realized and unrealized gains (losses) on endowment investments. Contributions and other support also include revenues from special events, and government funding.

Advertising – Advertising costs are expensed as incurred except for direct response advertising, which is capitalized and amortized over its expected period of future benefits, not to exceed 12 months. Direct response advertising consists primarily of the Organization's annual brochures for the following season subscriptions and the marketing of ticket sales to specific individuals. Advertising expense was \$374,584 and \$461,450 for the years ended August 31, 2025 and 2024, respectively. At August 31, 2025 and 2024, direct-response advertising included in prepaid expenses and other was \$307,186 and \$340,438, respectively.

Going Concern – GAAP requires management of all entities to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern. Substantial doubt about an entity's ability to continue as a going concern exists when conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the consolidated financial statements are issued or available to be issued. After consideration of management's plans, which include mitigating factors and events occurring subsequent to August 31, 2025, management concluded substantial doubt about the Organization's ability to continue as a going concern has not been alleviated (see Note 15).

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued.

The Organization has evaluated subsequent events through February 2, 2026, which is the date the consolidated financials were available to be issued.

Note 3 – Concentrations of Credit Risk

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and pledges receivable.

Geffen Playhouse, Inc. **Notes to Consolidated Financial Statements**

The investment policy limits the Organization's exposure to concentrations of credit risk. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

Cash and cash equivalents generally consist of cash and highly liquid investments with an initial maturity of three months or less. These securities are primarily held at one financial institution and are insured by the Federal Deposit Insurance Corporation coverage up to \$250,000. At times during the year, cash in these accounts may exceed the federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

At August 31, 2025, approximately 81% of the Organization's pledges receivable were from three donors. At August 31, 2024, approximately 50% of the Organization's pledges receivable were from two donors.

Note 4 – Investments and Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses the market approach. Based on this approach, the Organization utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. As a basis for considering such assumptions, the Organization uses a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value.

The standard describes two inputs and the three-tier hierarchy that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Geffen Playhouse, Inc.
Notes to Consolidated Financial Statements

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal years ended August 31, 2025 and 2024, the application of valuation techniques applied to similar assets has been consistent. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement.

The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

Financial assets carried at recurring fair value at August 31, 2025 and 2024, are classified as follows:

Investments	2025				
				Assets Valued Using NAV	Total
	Level 1	Level 2	Level 3	Practical Expedient	
Exchange traded funds	\$ 45,696	\$ -	\$ -	\$ -	\$ 45,696
Pooled investment fund	-	-	-	43,592	43,592
Beneficial interests	-	-	4,648,671	-	4,648,671
Total	\$ 45,696	\$ -	\$ 4,648,671	\$ 43,592	\$ 4,737,959

Investments	2024				
				Assets Valued Using NAV	Total
	Level 1	Level 2	Level 3	Practical Expedient	
Pooled investment fund	\$ -	\$ -	\$ -	\$ 41,629	\$ 41,629
Beneficial interests	-	-	7,286,816	-	7,286,816
Total	\$ -	\$ -	\$ 7,286,816	\$ 41,629	\$ 7,328,445

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For the years ended August 31, 2025 and 2024, the changes in financial assets classified as Level 3 are as follows:

	<u>Beneficial Interests Held at UC Regents</u>
BALANCE, September 1, 2023	\$ 8,869,745
Purchases	619,325
Contributions (withdrawals)	(3,206,563)
Realized and unrealized gain, net	946,115
Interest income	<u>58,194</u>
 BALANCE, August 31, 2024	 7,286,816
Purchases	867,812
Contributions (withdrawals)	(4,212,812)
Realized and unrealized gain, net	648,191
Interest income	<u>58,664</u>
 BALANCE, August 31, 2025	 <u>\$ 4,648,671</u>

The Organization's financial assets are valued using the fair value practical expedient of net asset value and are summarized as follows:

	<u>Fair Value, August 31, 2025</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Funds held in UCLA Foundation's STIP	\$ 43,592	Monthly	Two days

The Organization had no unfunded commitments as of August 31, 2025.

The following table represents the Organization's Level 3 financial instrument as of August 31, 2025:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Input	Range
Beneficial interests held at UC Regents	\$ 4,648,671	Market approach	Underlying assets	N/A

The valuation technique used to measure the fair value of the financial instrument, and the significant unobservable input and the ranges of values for that input, were unchanged from the year ended August 31, 2024.

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Note 5 – Pledges Receivable

Pledges are initially recorded at fair value by discounting to the present value of future cash flows at rates ranging from 3.58% to 3.92%. Pledges receivable are recorded as follows at August 31:

	<u>2025</u>	<u>2024</u>
Amounts due		
In less than one year	\$ 922,355	\$ 934,261
In one to five years	1,250,000	1,036,250
In six years and after	100,000	150,000
 Total gross pledges receivable	 2,272,355	 2,120,511
Less: present value discount	<u>(105,145)</u>	<u>(120,826)</u>
 Total pledges receivable, net	 2,167,210	 1,999,685
Less: current portion of pledges receivable, net	<u>(922,355)</u>	<u>(934,261)</u>
 Pledges receivable, net of current portion	 <u>\$ 1,244,855</u>	 <u>\$ 1,065,424</u>

At August 31, 2025 and 2024, the Organization has not provided for an allowance for uncollectible pledges, as all amounts are considered fully collectible.

Note 6 – Leasehold Interest in Building

The Organization leases its facilities from UCLA at a rate of \$1 per year under an original 30-year lease which commenced in May 1995. In April 2003, the lease term was extended to 55 years to expire in May 2050. In March 2010, the lease term was reduced by four years to expire in May 2046. At the inception date of the original lease, the fair value of the building was approximately \$5,000,000. This amount was recognized in prior years as a contribution and a leasehold interest. The unamortized leasehold interest is reflected in the accompanying consolidated statements of financial position as a net asset with donor restrictions and is being amortized over the lease term of 51 years.

At August 31, 2025 and 2024, the unamortized leasehold interest is \$1,117,191 and \$1,231,774, respectively. Amortization expense for the years ended August 31, 2025 and 2024, was \$114,583.

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Notes to Consolidated Financial Statements

Note 7 – Property and Equipment

At August 31, 2025 and 2024, property and equipment consisted of the following:

	2025	2024
Equipment	\$ 4,008,569	\$ 3,999,394
Furniture and fixtures	914,098	904,459
Leasehold improvements	<u>17,844,726</u>	<u>17,829,501</u>
	22,767,393	22,733,354
Less: accumulated depreciation and amortization	<u>(12,432,810)</u>	<u>(11,710,487)</u>
	<u>\$ 10,334,583</u>	<u>\$ 11,022,867</u>

Depreciation and amortization expense for the years ended August 31, 2025 and 2024, was \$722,323 and \$739,486, respectively.

Note 8 – Line of Credit

In October 2012, the Organization entered into a line of credit agreement with a bank for a \$500,000 line of credit. On September 23, 2025, the Organization renewed the line of credit to extend the expiration date to December 1, 2025. Advances under the line of credit bear interest at the greater of 2.50% or prime rate plus 1.50% (9.00% and 9.10% at August 31, 2025 and 2024, respectively) and are secured by property held by the Organization. As both of August 31, 2025 and 2024, the outstanding balance on the line of credit was \$500,000. In November 2025, the Organization repaid the outstanding balance on the line of credit and the line was not further renewed.

Note 9 – ROU Assets and Lease Liabilities

The Organization has both finance and operating leases, which are included within the ROU assets and lease liabilities on the consolidated statements of financial position.

The Organization's lease expenses for the years ended August 31, 2025 and 2024, are as follows:

	2025	2024
Finance lease expense		
Amortization of ROU assets	\$ 67,036	\$ 37,939
Interest on lease liabilities	7,051	3,099
Operating lease expense	<u>71,144</u>	<u>71,762</u>
Total lease expense	<u><u>\$ 145,231</u></u>	<u><u>\$ 112,800</u></u>

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Components of finance and operating ROU assets and lease liabilities on the consolidated statements of financial position are as follows as of August 31, 2025 and 2024:

	Finance	
	2025	2024
ROU assets	\$ 247,281	\$ 244,663
Accumulated amortization	<u>(125,874)</u>	<u>(67,920)</u>
Total net ROU assets	<u>\$ 121,407</u>	<u>\$ 176,743</u>
Short-term lease liabilities	\$ 26,072	\$ 54,803
Long-term lease liabilities	<u>95,335</u>	<u>121,940</u>
Total lease liabilities	<u>\$ 121,407</u>	<u>\$ 176,743</u>
	Operating	
	2025	2024
ROU assets	\$ 282,055	\$ 125,759
Accumulated amortization	<u>(175,209)</u>	<u>(88,668)</u>
Total net ROU assets	<u>\$ 106,846</u>	<u>\$ 37,091</u>
Short-term lease liabilities	\$ 38,872	\$ 28,122
Long-term lease liabilities	<u>67,974</u>	<u>8,969</u>
Total lease liabilities	<u>\$ 106,846</u>	<u>\$ 37,091</u>

The following are key assumptions used by the Organization to measure the ROU assets and lease liabilities as of August 31, 2025 and 2024:

	2025	2024
Weighted-average remaining lease term in years for finance leases	4.18	4.32
Weighted-average remaining lease term in years for operating leases	3.80	1.22
Weighted-average discount rate for finance leases	4.31%	4.26%
Weighted-average discount rate for operating leases	3.83%	3.82%

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Future minimum lease payments under these leases are as follows as of August 31, 2025:

	Finance	Operating
2026	\$ 31,579	\$ 42,626
2027	31,579	20,798
2028	31,579	18,225
2029	31,579	18,541
2030	10,212	17,129
Thereafter	<hr/> -	<hr/> -
Total undiscounted cash flows	136,528	117,319
Less: present value discount	<hr/> (15,121)	<hr/> (10,473)
Total lease liabilities	<hr/> <u>\$ 121,407</u>	<hr/> <u>\$ 106,846</u>

Note 10 – Net Assets

At August 31, 2025 and 2024, net assets without donor restrictions consisted of the following:

	2025	2024
Undesignated	\$ 1,395,614	\$ 5,290,004
Board-designated net assets	<hr/> 7,418	<hr/> 32,145
	<hr/> <u>\$ 1,403,032</u>	<hr/> <u>\$ 5,322,149</u>

At August 31, 2025 and 2024, net assets with donor restrictions consisted of the following:

	2025	2024
Time restricted, general operating, net	\$ 1,207,031	\$ 439,600
Time restricted, leasehold interest in building	1,117,191	1,231,774
Purpose, education and production support	221,000	280,321
Purpose, artistic director fund	64,650	-
Purpose, special event	307,437	-
Endowment, accumulated earnings (losses)	70,602	(250,833)
Endowment, corpus	<hr/> 10,975,375	<hr/> 10,866,000
Total	<hr/> <u>\$ 13,963,286</u>	<hr/> <u>\$ 12,566,862</u>

Geffen Playhouse, Inc.

Notes to Consolidated Financial Statements

Note 11 – Endowments

The Board of the Organization has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by CPMIFA.

Return objectives and risk parameters – The Organization has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The endowment assets are held at UC Regents, consistent with their nonendowment portion of their investment portfolio; as such, the strategies employed for managing the endowment funds are consistent with those of the entire investment portfolio.

Strategies employed for achieving investment objectives – To achieve its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends).

Endowment spending policy and relationship to investment objectives – The Board of the Organization determines the method to be used to appropriate endowment funds for expenditure. During the year ended August 31, 2025, the Board approved a spending policy for the use of the earnings on endowment investments which states that a maximum of up to 7% of the trailing 12 quarter average market value of the investments is available for use in operations, unless otherwise restricted. During the year ended August 31, 2024, the Board annually reviewed earnings on the endowment and determined the amounts to be appropriated for use in ongoing operations. The Board considers the expected long-term rate of return on its endowment and investment portfolio taken as a whole. The Board of Trustees of the Organization, in setting the endowment spending policy, considered the following factors: 1) preservation of asset values, 2) preservation of purchasing power, and 3) consistency of spending over time. The Organization's Board's adopted spending policy was established with a view toward balancing the need for expendable funds for the Organization's programs against the need to preserve the endowment against inflation.

In accordance with CPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund

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- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation or depreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Changes in endowment net assets for the fiscal year ended August 31, 2025, are as follows:

	<u>Accumulated Earnings (Losses)</u>	<u>Original Gift</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (250,833)	\$ 10,866,000	\$ 10,615,167
Investment gain, net of investment expenses	708,810	-	708,810
Paid in-kind contributions	(109,375)	109,375	-
Appropriated endowment earnings	<u>(278,000)</u>	<u>-</u>	<u>(278,000)</u>
Endowment net assets, end of year	<u><u>\$ 70,602</u></u>	<u><u>\$ 10,975,375</u></u>	<u><u>\$ 11,045,977</u></u>

Changes in endowment net assets for the fiscal year ended August 31, 2024, are as follows:

	<u>Accumulated Earnings (Losses)</u>	<u>Original Gift</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 864,387	\$ 10,866,000	\$ 11,730,387
Investment gain, net of investment expenses	986,883	-	986,883
Appropriated endowment earnings	<u>(2,102,103)</u>	<u>-</u>	<u>(2,102,103)</u>
Endowment net assets, end of year	<u><u>\$ (250,833)</u></u>	<u><u>\$ 10,866,000</u></u>	<u><u>\$ 10,615,167</u></u>

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new restricted contributions and continued appropriation for certain programs was deemed prudent by the Board. At August 31, 2025, there were funds with deficiencies of \$5,252,645 due to endowment borrowing (see Note 15 – Liquidity and Availability for further information). As of August 31, 2024, funds with deficiencies amounted to \$2,013,305.

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Note 12 – Related-Party Transactions

The Organization has an affiliation agreement with UCLA under which the Organization must provide artistic programming to the community and educational/professional opportunities for UCLA theater students. UCLA may appoint five members to the Organization's Board.

Under the lease agreement with UCLA, the Organization incurs expenses for the maintenance of the facility, which are either paid directly or reimbursed by UCLA. Accordingly, the Organization recognizes certain maintenance expenses as incurred and records the reimbursement from UCLA as support. For the years ended August 31, 2025 and 2024, UCLA reimbursed the Organization \$910,784 and \$831,127, respectively, for maintenance expenses. At August 31, 2025 and 2024, the Organization has a receivable from UCLA of \$209,288 and \$240,195, respectively, which is included in other receivables in the accompanying consolidated statements of financial position.

As disclosed in Note 4, the Organization had funds held by the UCLA Foundation and UC Regents totaling \$4,692,263 and \$7,328,445 at August 31, 2025 and 2024, respectively.

During the years ended August 31, 2025 and 2024, 23% and 16% of contributions were from board member related parties, respectively.

During the years ended August 31, 2025 and 2024, \$252,022 and \$241,770 of GP Film investor expenses were recorded related to board members, respectively.

Note 13 – Employee Benefit Plan

The Organization maintains a 401(k) profit sharing plan available to all full time employees after completing one year of service, except those who are covered by a collective bargaining agreement. The retirement plan is subject to a discretionary employer contribution. For the years ended August 31, 2025 and 2024, no contributions were made by the Organization.

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Note 14 – Expenses by Natural Classification

Expenses by function and nature consisted of the following for the year ended August 31, 2025:

	Supporting Services					Total
	Program Services	Management and General	Fundraising	Special Events	Supporting Services	
Salaries and related expenses						
Salaries and wages	\$ 5,320,879	\$ 1,093,024	\$ 605,411	\$ -	\$ 1,698,435	\$ 7,019,314
Other employee benefit	493,303	111,342	55,236	-	166,578	659,881
Payroll taxes	434,582	77,016	49,512	-	126,528	561,110
Pension plan expenses	210,049	-	-	-	-	210,049
Total	6,458,813	1,281,382	710,159	-	1,991,541	8,450,354
Other expenses						
Fees for services	310,924	41,125	1,750	-	42,875	353,799
Production expenses	769,307	-	-	16,500	16,500	785,807
Lighting/sound	277,586	-	-	-	-	277,586
Office expenses	70,073	218,595	11,347	-	229,942	300,015
Advertising	374,584	-	-	-	-	374,584
Insurance	-	106,728	-	-	106,728	106,728
Royalties	420,422	-	-	-	-	420,422
Event expenses	89,751	17,022	16,365	-	33,387	123,138
Cost of goods sold	104,854	-	-	-	-	104,854
Investor payments	725,742	-	-	-	-	725,742
Publicity	10,433	-	-	-	-	10,433
Occupancy	900,295	-	-	-	-	900,295
Bank charges	296,005	15,404	23,699	-	39,103	335,108
Housing	350,666	2,630	1,031	-	3,661	354,327
Travel	326,032	20,739	10,239	-	30,978	357,010
Information technology	163,667	138,336	11,326	-	149,662	313,329
Marketing	344,959	-	27,738	7,139	34,877	379,836
Accounting	16,663	63,215	-	-	63,215	79,878
Legal	7,993	1,078	-	-	1,078	9,071
Conference	8,595	1,524	1,904	-	3,428	12,023
Total	5,568,551	626,396	105,399	23,639	755,434	6,323,985
Depreciation and amortization	836,906	-	-	-	-	836,906
Total	\$ 12,864,270	\$ 1,907,778	\$ 815,558	\$ 23,639	\$ 2,746,975	\$ 15,611,245

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Expenses by function and nature consisted of the following for the year ended August 31, 2024:

	Supporting Services						Total
	Program Services	Management and General	Fundraising	Special Events	Total Supporting Services		
	Salaries and related expenses	Other expenses					
Salaries and related expenses							
Salaries and wages	\$ 6,079,549	\$ 1,002,881	\$ 508,458	\$ 16,953	\$ 1,528,292	\$ 7,607,841	
Other employee benefit	518,529	81,487	35,336	515	117,338	635,867	
Payroll taxes	503,342	74,147	41,753	-	115,900	619,242	
Pension plan expenses	262,682	-	-	-	-	262,682	
Total	7,364,102	1,158,515	585,547	17,468	1,761,530	9,125,632	
Other expenses							
Fees for services	743,731	77,656	2,231	10,767	90,654	834,385	
Production expenses	1,147,993	-	-	37,359	37,359	1,185,352	
Lighting/sound	292,762	-	-	-	-	292,762	
Office expenses	140,099	242,078	9,525	2,788	254,391	394,490	
Advertising	461,450	-	-	-	-	461,450	
Insurance	-	112,415	-	-	112,415	112,415	
Royalties	489,979	-	-	-	-	489,979	
Event expenses	37,831	25,196	12,877	249,036	287,109	324,940	
Cost of goods sold	72,364	-	-	-	-	72,364	
Investor payments	449,240	-	-	-	-	449,240	
Publicity	12,083	-	-	5,500	5,500	17,583	
Occupancy	755,422	-	-	-	-	755,422	
Bank charges	283,754	11,717	11,189	13,846	36,752	320,506	
Housing	354,305	855	1,927	-	2,782	357,087	
Travel	341,201	19,022	9,068	2,115	30,205	371,406	
Information technology	232,178	166,935	14,373	-	181,308	413,486	
Marketing	369,556	-	17,493	35,494	52,987	422,543	
Accounting	2,905	63,416	-	-	63,416	66,321	
Legal	11,672	2,265	-	-	2,265	13,937	
Uncollectable pledges	-	-	981,863	-	981,863	981,863	
Conference	10,805	1,089	3,870	-	4,959	15,764	
Total	6,209,330	722,644	1,064,416	356,905	2,143,965	8,353,295	
Depreciation and amortization	854,069	-	-	-	-	854,069	
Total	\$ 14,427,501	\$ 1,881,159	\$ 1,649,963	\$ 374,373	\$ 3,905,495	\$ 18,332,996	

Note 15 – Liquidity and Availability

The Organization has experienced losses and negative cash flows for the year ended August 31, 2025. The Organization borrowed \$3,400,000 and \$2,250,000 from endowment assets held in perpetuity to support operations during the years ended August 31, 2025 and 2024, respectively. The outstanding endowment loan balance as of August 31, 2025 and 2024 was \$5,125,000 and \$2,075,000, respectively. All endowment borrowings were board and donor approved. \$2,500,000 of the endowment borrowing is subject to 5% annual interest with expected repayment within five years. The Organization has repaid \$525,000 of this balance as of August 31, 2025. The remaining loans are noninterest bearing. To the extent that the Organization's resources are insufficient to meet its future operating requirements, the Organization will need to finance operations through additional debt, growth of revenue, fundraising and release of donor-restricted funds.

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The Organization's ability to continue as a going concern is dependent on the achievement of the strategies and generating sufficient cash flow to be self-sustaining. Management has evaluated the Organization's strategies to obtain the required additional funding for future operations, which may include, but are not limited to, new donor contributions from fundraising initiatives, renewing debt agreements, and restructuring of operations to decrease expenses.

Whether, and when, the Organization can attain profitability and positive cash flows from operations is uncertain and actual results may not meet management's expectations. The consolidated financial statements do not give effect to any adjustments, which would be necessary should the Organization be unable to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

The Organization is supported primarily by ticket sales revenue and contributions. Because donor restrictions may require resources to be used in a particular manner or in a future period, financial assets may not be available for general expenditures within one year. The Organization structures its financial assets to be available as general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of immediate requirements in short-term investments.

The following table reflects the Organization's financial assets, excluding endowment assets, as of August 31, 2025 and 2024, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions within one year. Amounts not available include pledges receivable due in more than one year, cash on hand restricted to support for future seasons, accumulated earnings on endowment funds included investments, cash and pledges receivable with purpose or time restrictions that could be drawn only upon the approval of the Board. However, amounts appropriated for expenditure from the donor-restricted accumulated earnings on the endowment within one year of August 31, 2025 and 2024, are considered available.

	2025	2024
Cash and cash equivalents	\$ 179,668	\$ 204,710
Investments	4,737,959	7,328,445
Other receivable	224,984	330,138
Pledges receivable	<u>922,355</u>	<u>934,261</u>
 Total financial assets	 6,064,966	 8,797,554
 Less: endowment assets held in perpetuity		
Investments	(4,551,676)	(7,083,864)
Endowment loan	(400,000)	(750,000)
Pledges receivable	<u>(400,575)</u>	<u>(598,459)</u>
 Total endowment assets held in perpetuity	 <u>(5,352,251)</u>	 <u>(8,432,323)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 712,715</u>	 <u>\$ 365,231</u>

Geffen Playhouse, Inc. **Notes to Consolidated Financial Statements**

The Organization manages its financial assets so they are available as obligations become due. The Organization considers programs which are ongoing, major, and central to its annual operations as general expenditures. The Organization manages its liquidity with the principle of maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

Note 16 – Collective Bargaining Agreement

Substantially all actors employed by the Organization are subject to a collective bargaining agreement with the International Alliance of Theatrical Stage Employees and Motion Picture Technicians, Artists and Allied Crafts of the United States and Canada Treasurers and Ticket Sellers Local 857, which expires August 31, 2026.

Note 17 – Risks and Uncertainties

From time to time, the Organization is party to various legal proceedings incidental to its business. In the opinion of management, none of these items, individually or in the aggregate, would have a significant effect on the financial position, change in net assets, cash flows, or liquidity of the Organization.

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