Great Lakes Center for the Arts

Financial Report

December 31, 2021

Contents

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Independent Auditor's Report

To the Board of Directors
Great Lakes Center for the Arts

Opinion

We have audited the financial statements of the Great Lakes Center for the Arts (the "Organization"), which comprise the statement of financial position as of December 31, 2021 and 2020 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020 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 (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 audits 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 financial statements.

To the Board of Directors
Great Lakes Center for the Arts

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Plante & Moran, PLLC

April 15, 2022

Statement of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 474,588	$ 466,840
Restricted cash and cash equivalents (Note 10)	129,408	96,463
Receivables:		
Trade accounts receivable	18,010	23,567
Contributions receivable - Net (Note 4)	1,873,624	1,704,514
Total receivables	1,891,634	1,728,081
Inventory	5,808	5,581
Prepaid expenses and other assets	67,597	59,008
Fixed assets - Net (Note 5)	34,917,158	35,886,306
Total assets	**$ 37,486,193**	**$ 38,242,279**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 70,657	$ 77,683
Notes payable - Net (Note 6)	4,242,270	7,747,209
Deferred revenue	134,246	115,881
Accrued compensation and amounts withheld	21,338	20,988
Total liabilities	4,468,511	7,961,761
Net Assets		
Without donor restrictions	30,875,171	28,462,790
With donor restrictions (Note 7)	2,142,511	1,817,728
Total net assets	33,017,682	30,280,518
Total liabilities and net assets	**$ 37,486,193**	**$ 38,242,279**

Great Lakes Center for the Arts

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2020 and 2019

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Admissions and other performance income	$ 471,354	$ -	$ 471,354	$ 151,275	$ -	$ 151,275
Contributions	1,123,405	4,085,835	5,209,240	965,724	959,201	1,924,925
In-kind donations	279,101	-	279,101	65,356	-	65,356
Federal grants	541,700	-	541,700	-	-	-
Special event revenue	446,100	-	446,100	285,950	-	285,950
Rental income	126,249	-	126,249	29,120	-	29,120
Interest income	7,234	-	7,234	806	-	806
Net assets released from restrictions	3,761,052	(3,761,052)	-	1,931,898	(1,931,898)	-
Total revenue, gains, and other support	6,756,195	324,783	7,080,978	3,430,129	(972,697)	2,457,432
Expenses						
Program services	2,908,802	-	2,908,802	2,590,941	-	2,590,941
Support services:						
Management and general	541,626	-	541,626	517,987	-	517,987
Fundraising	686,510	-	686,510	551,825	-	551,825
Direct benefit to donor	206,876	-	206,876	-	-	-
Total support services	1,435,012	-	1,435,012	1,069,812	-	1,069,812
Total expenses	4,343,814	-	4,343,814	3,660,753	-	3,660,753
Increase (Decrease) in Net Assets	2,412,381	324,783	2,737,164	(230,624)	(972,697)	(1,203,321)
Net Assets - Beginning of year	28,462,790	1,817,728	30,280,518	28,693,414	2,790,425	31,483,839
Net Assets - End of year	**$ 30,875,171**	**$ 2,142,511**	**$ 33,017,682**	**$ 28,462,790**	**$ 1,817,728**	**$ 30,280,518**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 2,737,164	$ (1,203,321)
Adjustments to reconcile increase (decrease) in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Depreciation and amortization	1,007,394	1,007,586
Change in unamortized discount	(2,572)	(84,626)
Bad debt recovery	(3,347)	(5,114)
Contributions restricted to long-term purpose	(4,888,283)	(1,926,734)
Forgiveness of Paycheck Protection Program loan	(178,600)	-
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:		
Receivables other than restricted for long-term purpose	11,551	94,546
Inventory	(227)	1,531
Prepaid expenses and other assets	(8,589)	(30,215)
Accounts payable	(7,026)	(55,206)
Deferred revenue	18,365	85,393
Accrued compensation and amounts withheld	350	1,928
Net cash, cash equivalents, and restricted cash used in operating activities	(1,313,820)	(2,114,232)
Cash Flows Used in Investing Activities - Purchase of property and equipment	(38,246)	(13,359)
Cash Flows from Financing Activities		
Proceeds from debt	178,612	178,600
Payments on debt	(3,504,951)	(879,952)
Proceeds from contributions restricted for long-term purposes	4,719,098	2,803,129
Net cash, cash equivalents, and restricted cash provided by financing activities	1,392,759	2,101,777
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	40,693	(25,814)
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	563,303	589,117
Cash, Cash Equivalents, and Restricted Cash - End of year	**$ 603,996**	**$ 563,303**
Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	$ 474,588	$ 466,840
Restricted cash and cash equivalents	129,408	96,463
Total cash, cash equivalents, and restricted cash	**$ 603,996**	**$ 563,303**
Supplemental Cash Flow Information - Cash paid for interest	$ 183,510	$ 272,617

See notes to financial statements.

Note 1 - Nature of Business

The Great Lakes Center for the Arts (the "Organization") is a not-for-profit organization incorporated in the state of Michigan. The Organization completed construction of its facility in 2018 and began programming in July 2018. The Organization serves the entire northern Michigan region through the cultural arts, intellectual dialogue, and education programs with an annual lineup of world-class performances and visiting artists. Programming includes popular, classical, jazz, and country music performances; theatrical productions; music festivals; opera; films; dance; and lectures, along with an arts education program that serves regional students in partnership with local schools and educators.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash Equivalents and Concentration of Credit Risk Arising from Deposit Accounts

The Organization considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The Organization maintains cash balances at one bank. The total amount of bank deposits (checking and savings accounts) insured by the Federal Deposit Insurance Corporation (FDIC) at year end was $250,000. The Organization evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Investments

Equity securities purchased and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are reported at fair value with unrealized gains and losses included in earnings.

Endowed funds use an investment pool approach, under which each restricted purpose endowment has a specific unit interest based on its capital contributions to the pool. Income earned in the pool is allocated quarterly to funds without donor restrictions for general operations and to the individual endowments in proportion to the unit interests as of the end of the quarter. Gains and losses from the sale of pooled investments and unrealized gains and losses on investments held are allocated in the same manner.

Fixed Assets

Fixed assets consist of land, land improvements, buildings, machinery and equipment, furniture and fixtures, and construction in progress, all of which are recorded at cost at the date of purchase or fair value at the date of donation. Construction in progress reflects amounts expended to date on projects that have not been placed in service at year end. For assets placed in service, the straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Contributions

The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports the expiration of donor restrictions when the assets are placed in service.

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value.

Note 2 - Significant Accounting Policies (Continued)

Contributions received without donor-imposed restrictions are reported as contributions without donor restrictions.

Contributions received with donor-imposed time and/or purpose restrictions are recorded as contributions with donor restrictions regardless of whether the purpose is met in the period in which the gift is received, except for annual fund pledges received and paid within the same year, as these contributions are classified as contributions without donor restrictions. All other contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are released from donor restrictions as of period end.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Revenue Recognition

The Organization's exchange revenue is derived primarily from box office ticket sales and venue rentals. For the years ended December 31, 2021 and 2020, total revenue recognized from box office ticket sales with customers was $376,837 and $104,760, respectively, and is represented within admission and other performance income on the statement of activities and changes in net assets. Revenue recognized from venue rentals is shown separately on the statement of activities and changes in net assets.

The Organization has an obligation to host musical performances, theatrical productions, and an array of festivals and lectures. Revenue is recognized at a point in time when the performance or venue rental occurs. Under typical payment terms, payment is due when tickets or ticket subscriptions are purchased at the point of sale. Deposits for venue rentals are due when the contract is executed, while the balance is due at the time of the rental event. There are no significant obligations for refunds or similar obligations. There are no unique economic factors that affect the nature, timing, and uncertainty of revenue and cash flows.

Note 2 - Significant Accounting Policies (Continued)

Transaction prices for ticket sales are specifically tied to the value of the ticket, and transaction prices for venue rentals are determined by the rental agreement, neither of which includes variable consideration. Cash for same-day performances or events is collected at the point of sale, resulting in the recognition of admissions and other performance income on the statement of activities and changes in net assets. In some situations, seasonal subscriptions are purchased in advance, with revenue recognized at a point in time when performances occur, which could result in the Organization recognizing contract liabilities represented as deferred revenue on the statement of financial position.

Federal Grants

Federal grants revenue relates primarily to amounts received related to the Shuttered Venue Operators Grant which provided emergency assistance for eligible venues affected by COVID-19. The grants are considered a nonexchange transaction and are recognized as the conditions of the grants have been met. Grant funding received in advance of conditions being met, if any, is recorded as deferred revenue.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Costs have been allocated between the various program and support services on several bases and estimates. Expenses directly allocable to a functional category are allocated as such. Salary and benefits and professional and consulting fees are allocated based on time and effort. Occupancy costs are allocated based on usage per square foot. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Upcoming Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Accounting Standards Codification 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is not expected to have a significant effect on the Organization’s financial statements as a result of the Organization's related party operating leases. Upon adoption, the Organization will recognize a lease liability and corresponding right-of-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 2 - Significant Accounting Policies (Continued)

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*: *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which addresses the accounting consequences that could result from the global markets' anticipated transition away from the use of the London Interbank Offered Rate (LIBOR). The ASU provides optional expedients and exceptions to contracts, hedging relationships, and other transactions impacted by reference rate reform. The provisions of the ASU are effective upon issuance (March 2020) and generally can be applied through December 31, 2022. The Organization has been contacted by the bank related to its credit agreement and the current LIBOR is anticipated to be converted to an estimated equivalent SOFR in October 2022. The Organization does not estimate the impact to be significant.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 15, 2022, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2021	2020
Cash and cash equivalents	$ 474,588	$ 466,840
Trade accounts receivable	18,010	23,567
Contributions receivable	1,873,624	1,704,514
Restricted cash and cash equivalents	129,408	96,463
Financial assets - At year end	2,495,630	2,291,384
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	996,500	831,000
Not subject to appropriation or expenditure	145,750	145,750
Subject to endowment purposes	129,408	96,463
Subject to appropriation and satisfaction	8,658	713
Financial assets available to meet cash needs for general expenditures within one year	$ 1,215,314	$ 1,217,458

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In the event of an unanticipated liquidity need, the Organization has available borrowings up to approximately $9,915,000 and $2,575,000 as of December 31, 2021 and 2020, respectively, as further described in Note 6.

Note 4 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give generated from a capital campaign, as well as unconditional promises to give generated from annual fund pledges. They are included as follows:

	2021	2020
Gross promises to give before unamortized discount	$ 1,973,834	$ 1,810,343
Less allowance for uncollectible contributions	(4,478)	(6,750)
Less allowance for net present value discount	(95,732)	(99,079)
Net contributions receivable	$ 1,873,624	$ 1,704,514
Amounts due in:		
Less than one year	$ 977,334	$ 979,343
One to five years	931,500	821,000
More than five years	65,000	10,000
Total	$ 1,973,834	$ 1,810,343

As of December 31, 2021 and 2020, gross promises to give totaling $810,700 and $927,000, respectively, were received from members of the board and are outstanding and included in contributions receivable in the statement of financial position.

The Organization has received conditional contributions of approximately $1,100,000. The contributions are conditioned upon the Organization raising matching funds to finalize its capital campaign. As of December 31, 2021, the expected level of funds has not been raised; therefore, revenue for these conditional contributions has not been recognized by the Organization.

Beginning in 2018 and for 20 years, the Organization has access to conditional contributions from estimated tax increment revenue authorized by law to be captured from levies imposed by the local taxing authority, not to exceed $1,631,042 plus interest of up to the average annual prime rate or 3.5 percent, whichever is less, on unreimbursed eligible activities. These contributions are conditioned upon the Organization incurring certain eligible expenses related to development of its property. The taxing authority has the sole discretion to determine the amount reimbursed, which is dependent upon sufficient tax revenue. As of December 31, 2021, $65,144 has been collected and recognized as contributions without donor restrictions on the statement of activities and changes in net assets related to this conditional contribution.

Note 5 - Fixed Assets

Property and equipment are summarized as follows:

	2021	2020	Depreciable Life - Years
Land	$ 13,010,000	$ 13,010,000	-
Artwork	28,300	-	-
Land improvements	1,746,456	1,746,456	20
Buildings	19,216,590	19,216,590	40
Machinery and equipment	423,370	423,370	3-10
Furniture and fixtures	3,957,574	3,957,574	10
Construction in progress	57,503	47,556	5-20
Total cost	38,439,793	38,401,546	
Accumulated depreciation	3,522,635	2,515,240	
Net property and equipment	$ 34,917,158	$ 35,886,306	

Note 5 - Fixed Assets (Continued)

Depreciation expense for the years ended December 31, 2021 and 2020 was $1,007,394 and $1,007,586, respectively.

Note 6 - Notes Payable

Under a credit agreement with a bank, the Organization has available delayed-draw borrowings limited to formulas based on certain percentages of pledges receivable, underwriting support, and access to tax increment financing (TIF), not to exceed $14,000,000 in aggregate borrowings. The amount outstanding as of December 31, 2021 and 2020 was $4,083,707 and $7,608,707, net of $20,049 and $40,098 financing costs, respectively. Based on the formulas, the Organization is able to draw up to an additional approximately $9,915,000 and $2,575,000 at December 31, 2021 and 2020, respectively. The note becomes due on October 5, 2022 unless the bank elects to extend the maturity date to any date up to October 5, 2024 by written notice to the Organization. Interest is payable monthly at a rate of 2.50 percent above the London Interbank Offered Rate (an effective rate of 2.60 and 2.64 percent at December 31, 2021 and 2020, respectively). The note is collateralized by pledges receivable, underwriter support, and access to TIF. Under the credit agreement with the bank, the Organization is subject to certain covenants, one of which requires the Organization to maintain without donor restrictions earnings before taxes, interest, depreciation and amortization of greater than zero.

During the year ended December 31, 2021, the Organization received a Paycheck Protection Program Second Draw (PPP2) loan in the amount of $178,612. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Organization may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of two years, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning no earlier than 10 months after the conclusion of the covered period or upon notification of any amount unforgiven. Based on the loan amount, irrespective of any potential forgiveness that may be granted in the future, monthly principal payments would be approximately $10,000 during the repayment period. Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels.

During the year ended December 31, 2021, the Organization received forgiveness on the original Paycheck Protection Program loan in the amount of $178,600, and the amount was recognized as contribution revenue in 2021. Additionally, subsequent to year end in March 2022, the Organization received notification from the SBA of forgiveness of the entire loan balance for the PPP2 loan.

Note 7 - Net Assets with Donor Restrictions

Donor-restricted net assets as of December 31 are available for the following purposes:

	2021	2020
Subject to expenditures for a specified purpose - Future programming and operations	$ 376,000	$ 578,850
Subject to the passage of time	1,612,103	1,092,415
Subject to appropriation and expenditures when a specified event occurs - Accumulated investment gains on endowment funds	8,658	713
Not subject to appropriation or expenditure - Donor-restricted contributions to the endowment	145,750	145,750
Total	$ 2,142,511	$ 1,817,728

Note 8 - Leases

Operating Leases

The Organization leased space under noncancelable operating leases with a related party through April 30, 2021. The Organization renewed the leased space under new noncancelable operating leases with the related party through April 30, 2026. Total costs for such leases were $42,012 and $39,597 for the years ended December 31, 2021 and 2020, respectively. Minimum future payments under this lease total $183,319.

Years Ending	Amount
2022	$ 40,597
2023	41,472
2024	42,601
2025	43,879
2026	14,770
Total	$ 183,319

Note 9 - Functional Expenses

Expenses related to the Organization's operations are as follows as of December 31:

	2021	2020
Program services:		
Performance costs	$ 593,783	$ 243,886
Salaries and benefits	640,932	628,573
Box office	14,320	4,250
Education programming	32,238	27,619
Professional and consulting fees	106,785	103,836
Occupancy	315,058	295,844
Depreciation and amortization	1,030,085	1,027,635
Interest expense	175,601	259,298
Total program services	2,908,802	2,590,941
Management and general:		
Salaries and benefits	298,200	259,558
Marketing and development	126,052	128,041
Professional and consulting fees	33,321	37,144
Occupancy	84,053	93,244
Total management and general	541,626	517,987
Fundraising:		
Salaries and benefits	386,619	360,588
Marketing and development	177,947	78,052
Special events	84,458	71,234
Occupancy	37,486	41,951
Total fundraising	686,510	551,825
Direct benefit to donors - Special events	206,876	-
Total expenses	$ 4,343,814	$ 3,660,753

Note 10 - Donor-restricted Endowment

The Organization's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the Michigan Uniform Prudent Management of Institutional Funds Act (MI-UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organization had interpreted MI-UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted MI-UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with MI-UPMIFA, 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 purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

	Endowment Net Asset Composition by Type of Fund as of December 31, 2021
	With Donor Restrictions
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ 120,750
Accumulated investment gains	8,658
Total	$ 129,408

Note 10 - Donor-restricted Endowment (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2021
	With Donor Restrictions
Endowment net assets - Beginning of year	$ 96,463
Investment return - Net appreciation - Investment income	7,945
Donor-restricted contributions - Cash collected on endowment pledge receivables	25,000
Endowment net assets - End of year	$ 129,408

The above amounts exclude $25,000 of pledges receivable as of December 31, 2021.

	Endowment Net Asset Composition by Type of Fund as of December 31, 2020
	With Donor Restrictions
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ 95,750
Accumulated investment gains	713
Total	$ 96,463

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020
	With Donor Restrictions
Endowment net assets - Beginning of year	$ 77,139
Investment return - Net appreciation	574
Donor-restricted contributions - Cash collected on endowment pledge receivables	18,750
Endowment net assets - End of year	$ 96,463

The above amounts exclude $50,000 of pledges receivable as of December 31, 2020.

Underwater Endowment Funds

As of December 31, 2021 and 2020, there were no funds with deficiencies.

Note 10 - Donor-restricted Endowment (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets will be invested in equities and fixed-income securities in a manner that is intended to achieve a return equal to or greater than spending. As of December 31, 2021 and 2020, cash collected on endowment pledge is reported as restricted cash on the statement of financial position. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark defined in its investment policy statement. Actual returns in any given year may vary from this amount.

Strategies to Be Employed for Achieving Objectives

Currently, endowment funds are held as restricted cash on the statement of financial position. To satisfy its long-term rate-of-return objectives, the Organization has a plan to rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity and fixed-income-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

No appropriations shall be made from the endowment unless and until its total market value exceeds $1,000,000, as measured at the end of a calendar quarter. Once this threshold has been met, the Organization has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Note 11 - Retirement Plans

The Organization sponsors a 401(k) plan for all employees over the age of 21 after completing three months of service. The plan allows employees to make elective deferrals as a percentage of eligible compensation and provides for the Organization to make a discretionary matching contribution. There were no employer contributions in 2021 and 2020.

Note 12 - COVID-19

While it appears the negative impacts related to the COVID-19 pandemic experienced by the Organization will be reduced in 2022 and future years, it is not yet known whether audiences will fully return to pre-pandemic attendance levels. Additionally, it is not known whether any future variants or increase in case counts of COVID-19 will cause any limitations on capacity, audience participation, venue rental activity, or other operational aspects of the Organization.

Note 12 - COVID-19 (Continued)

Due to the significant uncertainty surrounding the situation, management's judgment regarding the impact of the pandemic may change in the future. The extent of the future impact cannot be reasonably estimated at this time.

Note 13 - Employee Retention Credit

The CARES Act introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credit based on having operations suspended to comply with a government order related to COVID-19 and incurring eligible payroll expenses. For the years ended December 31, 2021 and 2020, the Organization determined these conditions have been met and recognized $239,130 and $94,944, respectively, of ERC revenue within contributions on the statement of activities and changes in net assets and recognized a corresponding receivable of $12,134 and $94,944 within contributions receivable on the statement of financial position as of December 31, 2021 and 2020, respectively.

The Organization’s ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the Organization would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.