

Great Lakes Center for the Arts

Financial Statements

December 31, 2025 and 2024



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

Management and the Board of Directors
Great Lakes Center for the Arts
Petoskey, Michigan

Opinion

We have audited the accompanying financial statements of Great Lakes Center for the Arts (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Center for the Arts as of December 31, 2025 and 2024 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Great Lakes Center for the Arts 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.

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 Great Lakes Center for the Arts' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Great Lakes Center for the Arts' 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 Great Lakes Center for the Arts' 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.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
July 2, 2026

Great Lakes Center for the Arts
Statement of Financial Position
December 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 891,326	\$ 199,614
Investments restricted for endowment	5,446,216	4,301,317
Accounts receivable		
Accounts receivable, net of allowance for credit losses of \$745 and \$2,941	17,543	21,759
Promises to give	4,198,730	3,988,510
Grants receivable	13,506	513,506
Inventory	6,450	7,548
Prepaid expenses	168,214	105,857
Property and equipment, net	31,092,522	31,993,988
Right of use asset - operating lease, net	242,134	54,962
 Total assets	 \$ 42,076,641	 \$ 41,187,061

See Accompanying Notes to the Financial Statements

Great Lakes Center for the Arts
Statement of Financial Position
December 31, 2025 and 2024

	2025	2024
Liabilities and Net Assets		
Accounts payable	\$ 103,093	\$ 106,048
Accrued expenses	10,259	12,690
Deferred revenue	98,762	42,699
Line of credit	-	345,487
Note payable	-	1,476,000
Operating lease obligation	<u>244,182</u>	<u>57,205</u>
 Total liabilities	 <u>456,296</u>	 <u>2,040,129</u>
 Net assets		
Without donor restrictions		
Undesignated	<u>31,830,868</u>	<u>30,271,523</u>
 With donor restrictions		
Perpetual in nature	7,368,232	3,931,250
Purpose restrictions	1,309,743	1,402,126
Time-restricted for future periods	<u>1,111,502</u>	<u>3,542,033</u>
 Total with donor restrictions	 <u>9,789,477</u>	 <u>8,875,409</u>
 Total net assets	 <u>41,620,345</u>	 <u>39,146,932</u>
 Total liabilities and net assets	 <u>\$ 42,076,641</u>	 <u>\$ 41,187,061</u>

See Accompanying Notes to the Financial Statements

Great Lakes Center for the Arts
Statement of Activities and Changes in Net Assets
For the Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gains (losses)						
Admissions and other performance income	\$ 815,589	\$ -	\$ 815,589	\$ 965,756	\$ -	\$ 965,756
Educational services	145,649	-	145,649	149,170	-	149,170
Contributions - educational	251,654	93,000	344,654	240,225	145,606	385,831
Contributions - general	1,545,488	117,020	1,662,508	587,504	156,303	743,807
Contributions - endowment	-	2,812,362	2,812,362	-	262,500	262,500
Federal and state grants and contracts	12,755	-	12,755	25,480	521,050	546,530
Special event revenue	378,744	803,211	1,181,955	920,173	2,000	922,173
Contributions of nonfinancial assets	174,833	-	174,833	171,159	-	171,159
Net investment income	15,699	621,066	636,765	618	649,974	650,592
Rental income	153,544	-	153,544	208,117	-	208,117
Miscellaneous income	383	-	383	1,808	-	1,808
Net assets released from restrictions	3,532,591	(3,532,591)	-	2,460,207	(2,460,207)	-
	<u>7,026,929</u>	<u>914,068</u>	<u>7,940,997</u>	<u>5,730,217</u>	<u>(722,774)</u>	<u>5,007,443</u>
Expenses						
Program services						
General programs	3,040,255	-	3,040,255	3,522,903	-	3,522,903
Educational programs	1,036,681	-	1,036,681	960,199	-	960,199
Management and general	276,997	-	276,997	334,218	-	334,218
Fundraising	1,113,651	-	1,113,651	1,022,284	-	1,022,284
	<u>5,467,584</u>	<u>-</u>	<u>5,467,584</u>	<u>5,839,604</u>	<u>-</u>	<u>5,839,604</u>
Change in net assets	1,559,345	914,068	2,473,413	(109,387)	(722,774)	(832,161)
Net assets - beginning of year	<u>30,271,523</u>	<u>8,875,409</u>	<u>39,146,932</u>	<u>30,380,910</u>	<u>9,598,183</u>	<u>39,979,093</u>
Net assets - end of year	<u>\$ 31,830,868</u>	<u>\$ 9,789,477</u>	<u>\$ 41,620,345</u>	<u>\$ 30,271,523</u>	<u>\$ 8,875,409</u>	<u>\$ 39,146,932</u>

See Accompanying Notes to the Financial Statements

Great Lakes Center for the Arts
Statement of Functional Expenses
For the Year Ended December 31, 2025

	Educational Services				Total Program Services	Management and General	Fundraising	Total
	General Programs	Dorothy Gerber Strings Program	Next Gen Program	Total Educational Services				
Salaries and benefits	\$ 675,271	\$ 310,645	\$ 158,106	\$ 468,751	\$ 1,144,022	\$ 152,187	\$ 325,732	\$ 1,621,941
Advertising and marketing	123,904	7,464	1,307	8,771	132,675	-	-	132,675
Contract services	118,412	54,472	22,342	76,814	195,226	26,686	57,118	279,030
Scholarships and grants	-	17,250	-	17,250	17,250	-	-	17,250
Depreciation and amortization	815,513	71,874	100,175	172,049	987,562	13,427	28,738	1,029,727
Development	-	-	-	-	-	-	172,004	172,004
Direct benefit to donors - special events	-	-	-	-	-	-	446,483	446,483
Insurance	47,691	5,615	8,999	14,614	62,305	10,748	23,005	96,058
Interest	41,311	2,430	4,860	7,290	48,601	-	-	48,601
Concessions	38,372	-	-	-	38,372	-	-	38,372
Occupancy	160,024	10,582	20,236	30,818	190,842	4,474	9,577	204,893
Office expenses	83,775	41,657	15,546	57,203	140,978	26,725	50,994	218,697
Performance costs	820,397	55,260	111,561	166,821	987,218	-	-	987,218
Professional fees	-	-	-	-	-	42,750	-	42,750
Venue rental expenses	23,219	-	-	-	23,219	-	-	23,219
Utilities	92,366	5,433	10,867	16,300	108,666	-	-	108,666
Total expenses by function	\$ 3,040,255	\$ 582,682	\$ 453,999	\$ 1,036,681	\$ 4,076,936	\$ 276,997	\$ 1,113,651	\$ 5,467,584

See Accompanying Notes to the Financial Statements

Great Lakes Center for the Arts
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Educational Services				Total Program Services	Management and General	Fundraising	Total
	General Programs	Dorothy Gerber Strings Program	Next Gen Program	Total Educational Services				
Salaries and benefits	\$ 631,392	\$ 291,410	\$ 114,860	\$ 406,270	\$ 1,037,662	\$ 140,255	\$ 316,531	\$ 1,494,448
Advertising and marketing	152,528	8,984	1,613	10,597	163,125	-	-	163,125
Contract services	155,839	71,926	28,350	100,276	256,115	34,618	78,126	368,859
Scholarships and grants	-	19,265	-	19,265	19,265	-	-	19,265
Depreciation and amortization	807,681	70,626	98,710	169,336	977,017	12,750	28,775	1,018,542
Development	-	-	-	-	-	63,602	58,676	122,278
Direct benefit to donors - special events	-	-	-	-	-	-	447,262	447,262
Insurance	43,093	4,773	7,839	12,612	55,705	9,573	21,604	86,882
Interest	120,610	7,095	14,189	21,284	141,894	-	-	141,894
Concessions	46,922	-	-	-	46,922	-	-	46,922
Occupancy	138,669	9,081	17,458	26,539	165,208	3,951	8,916	178,075
Office expenses	79,664	24,130	14,492	38,622	118,286	19,805	62,394	200,485
Performance costs	1,240,689	65,565	75,313	140,878	1,381,567	-	-	1,381,567
Professional fees	-	-	-	-	-	49,664	-	49,664
Venue rental expenses	23,535	-	-	-	23,535	-	-	23,535
Utilities	82,281	4,840	9,680	14,520	96,801	-	-	96,801
Total expenses by function	\$ 3,522,903	\$ 577,695	\$ 382,504	\$ 960,199	\$ 4,483,102	\$ 334,218	\$ 1,022,284	\$ 5,839,604

See Accompanying Notes to the Financial Statements

Great Lakes Center for the Arts
Statement of Cash Flows
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 2,473,413	\$ (832,161)
Items not requiring cash		
Depreciation and amortization	1,029,727	1,018,542
Change in unamortized discount	281,880	(129,359)
Realized loss on uncollectible promise to give	60,000	45,000
Bad debt expense	3,091	140
Contributions restricted to long-term purpose	(3,989,082)	1,918,575
Unrealized gain on investments	(561,052)	(589,097)
Changes in operating assets and liabilities		
Investments	(583,847)	(1,110,280)
Accounts receivable	1,125	3,854
Grants receivable	500,000	(478,000)
Inventory	1,098	1,790
Prepaid expenses	(62,357)	55,689
Operating lease assets and liabilities	(195)	(296)
Accounts payable	(2,955)	9,472
Accrued expenses	(2,431)	(41,404)
Deferred revenue	56,063	(55,405)
	<u>(795,522)</u>	<u>(182,940)</u>
Net cash used by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	<u>(128,261)</u>	<u>(65,402)</u>

See Accompanying Notes to the Financial Statements

Great Lakes Center for the Arts
Statement of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from financing activities		
Changes in line of credit	(345,487)	345,487
Proceeds from long-term debt	-	1,640,000
Payments on long-term debt	(1,476,000)	(2,827,013)
Collections of contributions restricted for long-term purposes	3,436,982	1,062,500
Net cash provided by financing activities	1,615,495	220,974
Net change in cash and cash equivalents	691,712	(27,368)
Cash and cash equivalents - beginning of year	199,614	226,982
Cash and cash equivalents - end of year	\$ 891,326	\$ 199,614
Supplementary information		
Cash paid for interest	\$ 48,601	\$ 141,894
Supplemental schedule of non-cash investing and financing activities		
Office space acquired through operating leases	\$ 227,968	\$ -

See Accompanying Notes to the Financial Statements

Great Lakes Center for the Arts
Notes to the Financial Statements
December 31, 2025 and 2024

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents. As of December 31, 2025 and December 31, 2024 \$124,050 and \$0 of cash and cash equivalents was in excess of the amount insured by the FDIC.

Accounts Receivable

Trade accounts receivable are stated net of an allowance for credit losses. The Organization estimates the allowance based on an analysis of specific accounts, taking into consideration the age of past due accounts, an assessment of ability to pay, current conditions, and reasonable and supportable forecasts. Individual receivables are written off as a charge to the allowance for credit losses when, in management's estimation, it is probable that the receivable is worthless.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

The Organization uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

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

Great Lakes Center for the Arts
Notes to the Financial Statements
December 31, 2025 and 2024

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.

Inventory

Inventories consist of concession food and beverages and are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out method.

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.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures in excess of \$5,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Leases

The Organization leases certain office space. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange

for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Finance leases are contracts that have characteristics that make them similar to the purchase of the underlying asset. Operating leases are contracts that allow for the use of the underlying asset but there is no ownership transfer at the end of the lease.

Right of use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building and office equipment classes of assets.

Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance lease expense is allocated between the amortization of the right of use asset and interest expense.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Great Lakes Center for the Arts
Notes to the Financial Statements
December 31, 2025 and 2024

Donated Services and Goods

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization's policy is to utilize, rather than monetize, donated services and goods.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2025 and 2024 was \$132,675 and \$163,125, respectively.

Functional 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.

Income Tax Status

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization other than a private foundation, as described in Section 509(a). The Organization files information returns in the U.S. Federal and Michigan jurisdiction.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through July 2, 2026, which is the date the financial statements were available to be issued.

Great Lakes Center for the Arts
Notes to the Financial Statements
December 31, 2025 and 2024

Note 2 - Liquidity and Availability

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

	2025	2024
Cash and cash equivalents	\$ 891,326	\$ 199,614
Investments	5,446,216	4,301,317
Accounts receivable	17,543	21,759
Promises to give	4,198,730	3,988,510
Grants receivable	13,506	513,506
 Total financial assets - end of year	 10,567,321	 9,024,706
 Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(393,102)	(2,538,533)
Not subject to appropriation or expenditure		
Subject to endowment purposes	(7,368,232)	(3,931,250)
Accumulated gains on endowment funds	(1,279,743)	(804,076)
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,526,244</u>	 <u>\$ 1,750,847</u>

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 \$2,000,000 and \$1,654,513 as of December 31, 2025 and 2024, respectively, as further described in Note 9.

Note 3 - Promises to Give

Management has elected the fair value option for promises to give to simplify the accounting for promises to give made in multiple years. The promises to give are discounted using daily treasury par yield curve rates ranging from 4.25 to 4.64%.

Promises to give are scheduled to be collected as follows:

	2025	2024
2025	\$ -	\$ 2,483,606
2026	1,395,635	872,000
2027	728,250	362,000
2028	496,250	260,000
2029	435,000	195,000
2030	370,000	195,000
Thereafter	1,600,000	165,429
	5,025,135	4,533,035
 Less discount to net present value	 (826,405)	 (544,525)
 Total promises to give	 <u>\$ 4,198,730</u>	 <u>\$ 3,988,510</u>

Great Lakes Center for the Arts
Notes to the Financial Statements
December 31, 2025 and 2024

Promises to give activity for the years ended December 31 is detailed as follows:

	<u>2025</u>	<u>2024</u>
Balance beginning of the year	\$ 3,988,510	\$ 6,885,226
Less collections	(3,301,261)	(3,655,625)
Add new pledges	3,853,361	674,550
Change in discount to fair value of pledges, reported netted with contribution income	(281,880)	129,359
Write off of uncollectible promises to give, reported netted with contribution income	<u>(60,000)</u>	<u>(45,000)</u>
Balance end of the year	<u>\$ 4,198,730</u>	<u>\$ 3,988,510</u>

The impact of instrument-specific credit risk on promises to give was not material for the years ended December 31, 2025 and 2024.

Note 4 - Investments

Fair value of marketable debt and equity securities with fair values determined by Level 1 inputs using quoted market prices in active markets for identical assets at December 31 consist of:

	<u>2025</u>	<u>2024</u>
Available for sale		
Exchange traded funds	\$ 4,874,038	\$ 3,730,614
Money market	285,558	235,403
Equity securities	<u>286,620</u>	<u>335,300</u>
Total available for sale	<u>\$ 5,446,216</u>	<u>\$ 4,301,317</u>

Investment income is composed of the following at December 31:

	<u>2025</u>	<u>2024</u>
Dividends and interest	\$ 55,822	\$ 60,879
Other investment income	19,891	616
Unrealized gain	<u>561,052</u>	<u>589,097</u>
Total investment income	<u>\$ 636,765</u>	<u>\$ 650,592</u>

Note 5 - Conditional Promises to Give

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 relating 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, 2025 and 2024, \$53,277 and \$53,272, respectively, 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.

Great Lakes Center for the Arts
Notes to the Financial Statements
December 31, 2025 and 2024

Note 6 - Property and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	<u>2025</u>	<u>2024</u>	<u>Depreciable Life - Years</u>
Land	\$ 13,010,000	\$ 13,010,000	-
Land improvements	1,746,456	1,746,456	20
Buildings	19,216,590	19,216,590	40
Machinery and equipment	505,569	505,569	3-10
Furniture and fixtures	4,103,687	4,007,734	10
Intangibles	34,346	36,988	5-20
Construction in progress	32,308	-	-
Artwork	28,300	28,300	-
	<u>38,677,256</u>	<u>38,551,637</u>	
Accumulated depreciation	<u>(7,584,734)</u>	<u>(6,557,649)</u>	
Property and equipment, net	<u>\$ 31,092,522</u>	<u>\$ 31,993,988</u>	

Note 7 - Leases

The Organization leases certain office facilities at various terms under long-term non-cancelable operating lease agreements. The leases expire in April 2031. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Organization to pay real estate taxes, insurance, and repairs.

Total lease costs for the years ended December 31 are as follows:

	<u>2025</u>	<u>2024</u>
Operating lease cost	<u>\$ 43,684</u>	<u>\$ 42,304</u>

The following table summarizes the supplemental cash flow information for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 43,879</u>	<u>\$ 42,601</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate at December 31:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term in years:		
Operating leases	5.30	1.30
Weighted-average discount rate:		
Operating leases	3.99%	3.99%

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The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2025:

2026	\$ 45,786
2027	48,068
2028	50,472
2029	53,000
2030	55,648
Thereafter	<u>18,848</u>
 Total lease payments	 271,822
 Less interest	 <u>(27,640)</u>
 Present value of lease liabilities	 <u>\$ 244,182</u>

The Organization has a 10-year lease agreement with a local non-profit that commenced in 2025. The expected future rent collections from the non-profit through 2034 are as follows:

2026	\$ 18,000
2027	21,000
2028	24,000
2029	27,000
2030	28,080
Thereafter	<u>124,020</u>
 Total lease payments	 <u>\$ 242,100</u>

Note 8 - Notes Payable

	<u>2025</u>	<u>2024</u>
Note payable to a financial institution payable in annual principal installments of \$164,000 plus interest at 6.910% through August 2034 collateralized by substantially all the assets of the Organization.	\$ -	<u>\$ 1,476,000</u>

Interest expense for 2025 and 2024 amounted to \$48,601 and \$141,894, respectively.

Note 9 - Line of Credit

The Organization has a secured line of credit arrangement totaling \$2,000,000. This arrangement provides for borrowing amounts for short-term use at the 5 year treasury monthly average plus 2.75%. Total borrowings at December 31, 2025 and 2024 were \$0 and \$345,487, respectively. The line of credit is collateralized by the Organization's building.

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Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at December 31:

	2025	2024
Subject to expenditure for specified purpose:		
Future programming and operations	\$ 30,000	\$ 598,050
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	1,111,502	3,542,033
	1,141,502	4,140,083
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for		
Accumulated investment gains (losses) on endowment funds	1,279,743	804,076
Not subject to spending policy or appropriation:		
Donor-restricted contributions to the endowment	7,368,232	3,931,250
Total net assets with donor restrictions	\$ 9,789,477	\$ 8,875,409

Note 11 - Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2025	2024
Expiration of time restrictions	\$ 2,841,142	\$ 2,327,110
Satisfaction of purpose restrictions		
Future programming and operations	691,449	133,097
Total net assets released from donor restrictions	\$ 3,532,591	\$ 2,460,207

Note 12 - Endowment

The Organization's endowment consists entirely of donor-restricted endowment funds and is classified based on those donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2025 and 2024, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by use in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the

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following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund; (2) The purposes of the Organization and the donor-restricted endowment fund; (3) General economic conditions; (4) The possible effect of inflation and deflation; (5) The expected total return from income and the appreciation of investments; (6) Other resources of the Organization; and (7) The investment policies of the Organization.

The endowment net asset composition by type of fund as of December 31, 2025 is as follows:

	With Donor Restrictions
Donor-restricted	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 7,368,232
Accumulated investment gains	1,279,743
 Total endowment funds	 \$ 8,647,975

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

	With Donor Restrictions
Beginning of year	\$ 4,735,326
Contributions	3,436,982
Distributions	(145,399)
Investment income	621,066
 End of year	 \$ 8,647,975

The endowment net asset composition by type of fund as of December 31, 2024 is as follows:

	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 3,931,250
Accumulated investment gains	804,076
 Total endowment funds	 \$ 4,735,326

The changes in endowment net assets for the year ended December 31, 2024 are as follows:

	With Donor Restrictions
Beginning of year	\$ 3,104,648
Contributions	1,088,801
Investment income	649,974
Net appreciation (depreciation)	(108,097)
 End of year	 \$ 4,735,326

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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. The secondary investment objective is to earn a total return, net of expense, 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 Employed for Achieving Objectives

Currently, endowment funds are held as short-term investments restricted for endowment 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 the 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 13 - Revenue from Contracts with Customers

The following summarizes revenue by type for the years ended December 31:

	2025	2024
Revenue from contracts with customers	\$ 1,255,702	\$ 1,415,486
Contribution revenue	4,819,524	1,392,138
Federal and state grants and contracts	12,755	546,530
Special event revenue	887,491	621,613
Contributions of nonfinancial assets	174,833	171,159
Net investment income (loss)	625,072	650,592
Rental income	153,544	208,117
Miscellaneous income	12,076	1,808
Total revenue	\$ 7,940,997	\$ 5,007,443

Bad debt expense related to contracts with customers for the years ended December 31, 2025 and 2024 was \$3,091 and \$140, respectively.

The revenue from contracts with customers for the year ended December 31, 2025 and 2024 consists of:

	2025	2024
Revenue earned at a point in time	\$ 1,255,702	\$ 1,415,486

Revenue earned at a point in time consists of box office ticket sales and private lessons. Transaction prices for ticket sales are specifically tied to the value of the ticket, and education prices are on a per-lesson

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basis. Neither include 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 incomes 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.

The following summarizes contract assets and liabilities as of:

	December 31, 2025	December 31, 2024	January 1, 2024
Accounts receivable	<u>\$ 17,543</u>	<u>\$ 21,759</u>	<u>\$ 25,753</u>
Deferred revenue	<u>\$ 98,762</u>	<u>\$ 42,699</u>	<u>\$ 98,104</u>

There were no changes in judgments related to revenue recognition for the years ended December 31, 2025 and 2024.

Note 14 - Retirement Plan

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. The contributions were \$24,451 and \$19,762 for the years ended December 31, 2025 and 2024, respectively.

Note 15 - Related Party Transactions

As of December 31, 2025 and 2024, gross promises to give totaling \$2,962,000 and \$2,700,000, respectively, were received from members of the board and are included in promises to give in the statement of financial position. Total contribution revenue from board members for the years ended December 31, 2025 and 2024 was \$1,963,000 and \$124,000, respectively.

Note 16 - Contributed Nonfinancial Assets

The Organization estimates the fair value of contributed nonfinancial assets based on estimates of wholesale values that would be received for selling similar products or services in the united states. There are no associated donor restrictions with any of the contributed nonfinancial assets received by the Organization.

Approximately 2,793 and 2,033 volunteer hours were contributed for the years ended December 31, 2025 and December 31, 2024, respectively, for which the criteria for recording revenue were not met.

Contributed nonfinancial assets for the year ended December 31, 2025 and December 31, 2024 were:

Category	Revenue Recognized in 2025	Revenue Recognized in 2024	Utilization in Programs/Activities
Employee Uniforms	\$ 180	\$ -	Programs
Transportation	27,966	29,555	Programs
Promotional materials	2,872	2,384	Dorothy Gerber Strings Program
Instruments	9,840	1,500	Dorothy Gerber Strings Program
Annual fund events	-	3,073	Fundraising
Gala	127,090	134,647	Fundraising
Donor relations	<u>6,885</u>	<u>-</u>	Fundraising
	<u>\$ 174,833</u>	<u>\$ 171,159</u>	