

**Great Lakes Center for the Arts**

**Financial Statements**

**December 31, 2023 and 2022**



**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, 2023 and 2022, 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, 2023 and 2022 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  
September 11, 2024

**Great Lakes Center for the Arts**  
**Statement of Financial Position**  
**December 31, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 226,982	\$ 432,548
Short-term investments restricted for endowment	2,601,940	129,581
Cash restricted for endowment	-	750,438
Accounts receivable		
Accounts receivable, net of allowance for credit losses of \$2,475 and \$2,417	23,955	11,713
Promises to give	6,887,024	1,291,349
Grants receivable	35,506	17,406
Inventory	9,338	7,346
Prepaid expenses	161,546	126,097
Property and equipment, net	32,947,128	33,932,681
Right of use asset - operating lease, net	94,259	132,033
 <b>Total assets</b>	 <b>\$ 42,987,678</b>	 <b>\$ 36,831,192</b>

See Accompanying Notes to the Financial Statements

**Great Lakes Center for the Arts**  
**Statement of Financial Position**  
**December 31, 2023 and 2022**

	2023	2022
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 96,576	\$ 113,080
Accrued expenses	54,094	60,158
Deferred revenue	98,104	46,534
Notes payable	2,663,013	3,267,013
Operating lease obligation	96,798	133,740
Total liabilities	3,008,585	3,620,525
<b>Net assets</b>		
Without donor restrictions		
Undesignated	30,380,910	30,899,823
With donor restrictions		
Perpetual in nature	2,842,449	900,750
Purpose restrictions	494,199	659,401
Time-restricted for future periods	6,261,535	766,856
Underwater endowments	-	(16,163)
Total with donor restrictions	9,598,183	2,310,844
Total net assets	39,979,093	33,210,667
<b>Total liabilities and net assets</b>	\$ 42,987,678	\$ 36,831,192

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, 2023 and 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support and gains (losses)</b>						
Admissions and other performance income	\$ 771,186	\$ -	\$ 771,186	\$ 656,314	\$ -	\$ 656,314
Educational services	104,483	-	104,483	84,231	-	84,231
Contributions - educational	215,391	182,674	398,065	208,922	80,000	288,922
Contributions - general	2,043,674	5,493,541	7,537,215	2,045,046	425,768	2,470,814
Contributions - endowment	-	1,941,699	1,941,699	-	757,325	757,325
Federal and state grants and contracts	34,294	22,000	56,294	31,401	-	31,401
Special event revenue	836,750	60,000	896,750	804,909	94,989	899,898
Contributions of nonfinancial assets	125,161	-	125,161	84,105	-	84,105
Net investment income (loss)	(791)	278,362	277,571	1,458	(24,821)	(23,363)
Rental income	180,721	-	180,721	192,630	-	192,630
Miscellaneous income	6,389	-	6,389	15,187	-	15,187
Forgiveness of debt	-	-	-	178,612	-	178,612
Net assets released from restrictions	690,937	(690,937)	-	1,164,928	(1,164,928)	-
 Total revenue, support and gains (losses)	 5,008,195	 7,287,339	 12,295,534	 5,467,743	 168,333	 5,636,076
 <b>Expenses</b>						
Program services						
General programs	3,015,129	-	3,015,129	3,078,860	-	3,078,860
Educational programs	1,006,467	-	1,006,467	880,368	-	880,368
Management and general	277,079	-	277,079	396,508	-	396,508
Fundraising	1,228,433	-	1,228,433	1,087,355	-	1,087,355
 Total expenses	 5,527,108	 -	 5,527,108	 5,443,091	 -	 5,443,091
 <b>Change in net assets</b>	 (518,913)	 7,287,339	 6,768,426	 24,652	 168,333	 192,985
 Net assets - beginning of year	 30,899,823	 2,310,844	 33,210,667	 30,875,171	 2,142,511	 33,017,682
 Net assets - end of year	 \$ 30,380,910	 \$ 9,598,183	 \$ 39,979,093	 \$ 30,899,823	 \$ 2,310,844	 \$ 33,210,667

See Accompanying Notes to the Financial Statements

**Great Lakes Center for the Arts**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2023**

	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	\$ 528,306	\$ 274,398	\$ 121,052	\$ 395,450	\$ 923,756	\$ 107,911	\$ 315,197	\$ 1,346,864
Advertising and marketing	128,054	10,247	1,305	11,552	139,606	-	-	139,606
Contract services	161,130	137,905	35,165	173,070	334,200	32,743	153,805	520,748
Scholarships and grants	-	12,305	-	12,305	12,305	-	-	12,305
Depreciation and amortization	800,275	70,984	99,965	170,949	971,224	10,596	30,951	1,012,771
Development	-	-	-	-	-	50,842	130,889	181,731
Direct benefit to donors - special events	-	-	-	-	-	-	517,769	517,769
Insurance	30,132	15,733	6,941	22,674	52,806	6,187	18,072	77,065
Interest	188,112	11,065	22,131	33,196	221,308	-	-	221,308
Concessions	28,616	-	-	-	28,616	-	-	28,616
Occupancy	159,508	10,757	20,479	31,236	190,744	3,837	8,806	203,387
Office expenses	88,276	27,270	20,333	47,603	135,879	19,981	52,944	208,804
Performance costs	818,858	38,308	55,325	93,633	912,491	-	-	912,491
Professional fees	-	-	-	-	-	44,982	-	44,982
Utilities	83,862	4,933	9,866	14,799	98,661	-	-	98,661
<b>Total expenses by function</b>	<b>\$ 3,015,129</b>	<b>\$ 613,905</b>	<b>\$ 392,562</b>	<b>\$ 1,006,467</b>	<b>\$ 4,021,596</b>	<b>\$ 277,079</b>	<b>\$ 1,228,433</b>	<b>\$ 5,527,108</b>

See Accompanying Notes to the Financial Statements



**Great Lakes Center for the Arts**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2022**

	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	\$ 538,052	\$ 316,705	\$ 113,388	\$ 430,093	\$ 968,145	\$ 168,223	\$ 387,472	\$ 1,523,840
Advertising and marketing	176,555	15,744	17,894	33,638	210,193	-	-	210,193
Contract services	141,410	5,582	21,915	27,497	168,907	75,556	-	244,463
Scholarships and grants	-	10,268	-	10,268	10,268	-	-	10,268
Depreciation and amortization	870,851	51,504	102,732	154,236	1,025,087	2,824	3,765	1,031,676
Development	1,111	139	139	278	1,389	22,982	144,956	169,327
Direct benefit to donors - special events	-	-	-	-	-	-	479,833	479,833
Insurance	25,687	11,454	4,952	16,406	42,093	7,581	17,415	67,089
Interest	106,453	6,262	12,524	18,786	125,239	13,786	-	139,025
Concessions expense	24,739	-	-	-	24,739	-	-	24,739
Occupancy	184,088	12,361	22,234	34,595	218,683	4,113	8,225	231,021
Office expenses	67,154	19,391	11,460	30,851	98,005	18,752	45,689	162,446
Performance costs	857,994	57,209	51,553	108,762	966,756	-	-	966,756
Professional fees	-	-	-	-	-	82,691	-	82,691
Utilities	84,766	4,986	9,972	14,958	99,724	-	-	99,724
<b>Total expenses by function</b>	<b>\$ 3,078,860</b>	<b>\$ 511,605</b>	<b>\$ 368,763</b>	<b>\$ 880,368</b>	<b>\$ 3,959,228</b>	<b>\$ 396,508</b>	<b>\$ 1,087,355</b>	<b>\$ 5,443,091</b>

See Accompanying Notes to the Financial Statements

**Great Lakes Center for the Arts**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 6,768,426	\$ 192,985
Items not requiring cash		
Depreciation and amortization	1,012,771	1,031,676
Change in unamortized discount	575,697	(2,061)
Realized loss on uncollectible promise to give	-	250,000
Bad debt expense	-	2,455
Contributions restricted to long-term purpose	(9,430,386)	(3,397,984)
Forgiveness of Paycheck Protection Program loan	-	(178,612)
Changes in operating assets and liabilities		
Short-term investments	(2,472,359)	(129,581)
Accounts receivable	(12,242)	3,880
Grants receivable	(18,100)	(17,406)
Inventory	(1,992)	(1,538)
Prepaid expenses	(35,449)	(58,500)
Operating lease assets and liabilities	832	1,707
Accounts payable	(16,504)	25,719
Accrued expenses	(6,064)	38,820
Deferred revenue	51,570	(87,712)
Net cash used by operating activities	<b>(3,583,800)</b>	<b>(2,326,152)</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<b>(27,218)</b>	<b>(10,446)</b>

See Accompanying Notes to the Financial Statements

**Great Lakes Center for the Arts**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	-	3,867,013
Payments on long-term debt	<b>(604,000)</b>	(4,683,707)
Collections of contributions restricted for long-term purposes	<b>3,259,014</b>	3,732,282
	<b>2,655,014</b>	2,915,588
Net cash provided by financing activities		
	<b>(956,004)</b>	578,990
Net change in cash, cash equivalents, and restricted cash		
Cash, cash equivalents, and restricted cash - beginning of year	<b>1,182,986</b>	603,996
	<b>\$ 226,982</b>	\$ 1,182,986
<b>Cash, cash equivalents, and restricted cash - end of year</b>		
	<b>\$ 226,982</b>	\$ 432,548
<b>Cash, cash equivalents, and restricted cash</b>		
Cash and cash equivalents	<b>\$ 226,982</b>	\$ 432,548
Restricted cash and cash equivalents	<b>-</b>	750,438
	<b>\$ 226,982</b>	\$ 1,182,986
<b>Total cash, cash equivalents, and restricted cash</b>		
	<b>\$ 226,982</b>	\$ 1,182,986
<b>Supplemental schedule of non-cash investing and financing activities</b>		
Property and equipment purchases included in accounts payable	<b>\$ -</b>	\$ 16,704

See Accompanying Notes to the Financial Statements

**Great Lakes Center for the Arts**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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**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.

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.

**Reclassification**

Certain amounts on the statement of activities and statement of functional expenses in the 2022 financial statements have been reclassified to conform to the 2023 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

**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, 2023 \$165,222 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.

**Great Lakes Center for the Arts**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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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.

### **Inventory**

Inventories consist of finished goods 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.

### **Paycheck Protection Program (PPP) Loan**

The Organization accounts for the PPP loan as a financial liability in accordance with FASB ASC 470 *Debt*. Interest is accrued throughout the life of the loan, even when no payments are currently due.

### **Leases**

The Organization leases certain buildings. 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.

**Great Lakes Center for the Arts**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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**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.

**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, 2023 and 2022 was \$139,606 and \$210,193, 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 September 11, 2024, which is the date the financial statements were available to be issued.

**Adoption of New Accounting Standards**

The Organization adopted FASB Topic 326, Financial Instruments – Credit Losses, as of the beginning of the year ended December 31, 2023. FASB Topic 326 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. This has been adopted prospectively using the modified retrospective

**Great Lakes Center for the Arts**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

approach, which restates the balances as of the date of adoption. Beginning net assets for the year ended December 31, 2023 did not change as a result of this standard.

**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, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 226,982	\$ 432,548
Short-term investments	2,601,940	129,581
Accounts receivable	23,955	11,713
Promises to give	6,887,024	1,291,349
Grants receivable	35,506	17,406
Cash restricted for endowment	-	750,438
 Total financial assets - end of year	 9,775,407	 2,633,035
 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	(3,112,925)	(659,401)
Not subject to appropriation or expenditure		
Subject to endowment purposes	(2,842,449)	(900,750)
Accumulated gains on endowment funds	(262,199)	-
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 3,557,834</u>	 <u>\$ 1,072,884</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 \$2,336,987 and \$1,730,000 as of December 31, 2023 and 2022, respectively, as further described in Note 8.

**Note 3 - Promises to Give**

As of December 31, 2023 and 2022, gross promises to give totaling \$4,206,060 and \$608,000, respectively, were received from members of the board and are outstanding and included in promises to give in the statement of financial position.

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 3.88 to 5.59%.

Promises to give are scheduled to be collected as follows:

	2023	2022
Less than one year	\$ 3,924,110	\$ 667,036
One to five years	2,715,000	682,500
More than five years	921,798	40,000
	7,560,908	1,389,536
Less discount to net present value	(673,884)	(98,187)
 Total promises to give	 <u>\$ 6,887,024</u>	 <u>\$ 1,291,349</u>

**Great Lakes Center for the Arts**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

**Note 4 - Investments**

Fair value of marketable debt and equity securities at December 31 consist of:

	<u>2023</u>	<u>2022</u>
Available for sale		
Exchange traded funds	<u>\$ 2,601,940</u>	<u>\$ 129,581</u>

Investment income is composed of the following at December 31:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 54,264	\$ 1,645
Other investment income	(894)	1,451
Unrealized gain (loss)	<u>224,201</u>	<u>(26,459)</u>
 Total investment income (loss)	 <u>\$ 277,571</u>	 <u>\$ (23,363)</u>

**Note 5 - Conditional Promises to Give**

The Organization has received conditional contributions of \$1,000,000. The contributions are conditioned upon the Organization raising matching funds of \$12,000,000 by December 31, 2024, to finalize its sustainability campaign. As of December 31, 2023, 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 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, 2023 and 2022, \$38,777 and \$28,621, 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.

**Note 6 - Property and Equipment**

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

	<u>2023</u>	<u>2022</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	490,327	463,109	3-10
Furniture and fixtures	3,957,574	3,957,574	10
Intangibles	39,630	42,272	5-20
Artwork	<u>28,300</u>	<u>28,300</u>	
	38,488,877	38,464,301	
Accumulated depreciation	<u>(5,541,749)</u>	<u>(4,531,620)</u>	
 Property and equipment, net	 <u>\$ 32,947,128</u>	 <u>\$ 33,932,681</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 2026. 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.



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

	2023	2022
Operating lease cost	\$ 42,304	\$ 42,304

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

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 41,472	\$ 40,597

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

	2023	2022
Weighted-average remaining lease term in years:		
Operating leases	2.30	3.30
Weighted-average discount rate:		
Operating leases	3.99%	3.99%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2023:

2024	\$ 42,601
2025	43,879
2026	14,769
Total lease payments	101,249
Less interest	(4,451)
Present value of lease liabilities	\$ 96,798

**Note 8 - Notes Payable**

	2023	2022
Credit agreement with a bank for delayed-draw borrowings limited to formulas based on certain percentages of pledges receivable, underwriting support, and access to tax increment financing, not to exceed \$5,000,000 in 2023 and 2022, in aggregate borrowings. Interest is payable monthly at a rate of the secured overnight financing rate plus 262 basis points.	\$ 2,663,013	\$ 3,267,013

Interest expense for 2023 and 2022 amounted to \$221,308 and \$139,025, respectively.

The PPP2 loan and accrued interest was forgiven by the Small Business Administration in 2022; the forgiveness of debt has been recognized on the statement of activities and changes in net assets.

The bank note of \$2,663,013 has a maturity date of October 5, 2024.

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**Note 9 - Net Assets With Donor Restrictions**

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Future programming and operations	\$ 232,000	\$ 659,401
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>6,261,535</u>	<u>766,856</u>
	<u>6,493,535</u>	<u>1,426,257</u>
Endowments:		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for Accumulated investment gains (losses) on endowment funds	262,199	(16,163)
Not subject to spending policy or appropriation:		
Donor-restricted contributions to the endowment	<u>2,842,449</u>	<u>900,750</u>
Total net assets with donor restrictions	<u>\$ 9,598,183</u>	<u>\$ 2,310,844</u>

**Note 10 - 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Expiration of time restrictions	\$ 587,036	\$ 1,154,928
Satisfaction of purpose restrictions		
Future programming and operations	<u>103,901</u>	<u>10,000</u>
Total net assets released from donor restrictions	<u>\$ 690,937</u>	<u>\$ 1,164,928</u>

**Note 11 - 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, 2023 and 2022, 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

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standard of prudence prescribed by UPMIFA. We consider the 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, 2023 is as follows:

	With Donor Restrictions
Donor-restricted	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,842,449
Accumulated investment gains	262,199
Total endowment funds	\$ 3,104,648

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	With Donor Restrictions
Beginning of year	\$ 884,587
Contributions	1,941,699
Investment income	54,162
Net appreciation (depreciation)	224,200
End of year	\$ 3,104,648

The endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	With Donor Restrictions
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 900,750
Accumulated investment losses	(16,163)
Total endowment funds	\$ 884,587

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The changes in endowment net assets for the year ended December 31, 2022 are as follows:

	With Donor Restrictions
Beginning of year	\$ 129,408
Contributions	780,000
Investment income	1,631
Net appreciation (depreciation)	(26,452)
End of year	\$ 884,587

**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, 2023 and 2022, cash collected on an 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 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 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 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 12 - Revenue from Contracts with Customers**

The Organization's exchange revenue is derived primarily from box office ticket sales, private lessons, and venue rentals. For the years ended December 31, 2023 and 2022, total revenue recognized from box office ticket sales with customers was \$771,186 and \$612,958, respectively, and is represented with 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.

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The following summarizes revenue by type for the year ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	\$ 1,040,619	\$ 1,071,336
Contribution revenue	9,876,979	3,526,250
Federal and state grants and contracts	56,294	31,401
Special event revenue	731,800	752,548
Contributions of nonfinancial assets	125,161	84,105
Net investment income (loss)	277,571	(23,363)
Rental income	180,721	-
Miscellaneous income	6,389	15,187
Forgiveness of debt	-	178,612
	<u>                    </u>	<u>                    </u>
Total revenue	<u>\$ 12,295,534</u>	<u>\$ 5,636,076</u>

Bad debt expense related to contracts with customers for the years ended December 31, 2023 and 2022 was \$0.

The revenue from contracts with customers for the year ended December 31, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
Revenue earned at a point in time	<u>\$ 1,040,619</u>	<u>\$ 1,071,336</u>

Revenue earned at a point in time consists of box office ticket sales, private lessons, and venue rentals. Transaction prices for ticket sales are specifically tied to the value of the ticket, education prices are on a per-lesson basis and transaction prices for venue rentals are determined by the rental agreement, none 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 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:

	<u>December 31,</u> <u>2023</u>	<u>December</u> <u>31, 2022</u>	<u>January 1,</u> <u>2022</u>
Accounts receivable	<u>\$ 23,955</u>	<u>\$ 11,713</u>	<u>\$ 18,010</u>
Deferred revenue	<u>\$ 98,104</u>	<u>\$ 46,534</u>	<u>\$ 134,246</u>

There were no changes in judgments related to revenue recognition for the years ended December 31, 2023 and 2022.

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**Note 13 - Contributed Nonfinancial Assets**

Contributed nonfinancial assets for the year ended December 31, 2023 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Outreach travel	\$ 20,000	Fundraising	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States.
Transportation	28,280	Programs	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States.
Promotional materials	348	Dorothy Gerber Strings Program	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States.
Instruments	9,000	Dorothy Gerber Strings Program	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States.
Annual fund events	50	Fundraising	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States.
Lodging	20,900	Programs	No associated donor restrictions	Great Lakes Center for the Arts recorded the value of the lodging based on the fair market price.
Gala	35,811	Fundraising	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States.
Donor relations	10,772	Fundraising	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States. Criteria for recording revenue are not met; approximately 2,490 volunteer hours were donated
Volunteer services	-	Programs	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States. Criteria for recording revenue are not met; approximately 1,800 volunteer hours were donated
	<u>\$ 125,161</u>			

Contributed nonfinancial assets for the year ended December 31, 2022 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Donor relations	\$ 15,093	Fundraising	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States.
Gala	30,000	Fundraising	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Hospitality	1,030	Programs	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Instruments	1,200	Dorothy Gerber Strings Program	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Promotional materials	1,000	Dorothy Gerber Strings Program	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Books/school materials	2,600	NextGen Education Program	No associated donor restrictions	Great Lakes Center for the Arts recorded the value of the materials based on the fair market value of the products if they had been purchased from the vendor.
Lodging	4,182	Programs	No associated donor restrictions	Great Lakes Center for the Arts recorded the value of the lodging based on the fair market price.
Transportation	29,000	Programs	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States. Criteria for recording revenue are not met; approximately 1,800 volunteer hours were donated
Volunteer services	-	Programs	No associated donor restrictions	Great Lakes Center for the Arts estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products or services in the United States. Criteria for recording revenue are not met; approximately 1,800 volunteer hours were donated
	<u>\$ 84,105</u>			

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**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 \$13,069 and \$0 for the years ended December 31, 2023 and 2022, respectively.