



Financial Statements

As of and for the years ended September 30, 2024 and 2023

Michigan Theater Foundation, Inc. dba Marquee Arts

Ann Arbor, Michigan



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Marquee Arts

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Independent Auditors' Report

To the Board of Directors
Michigan Theater Foundation, Inc.
dba Marquee Arts
Ann Arbor, Michigan

Opinion

We have audited the accompanying financial statements of Michigan Theater Foundation, Inc. dba Marquee Arts (a nonprofit organization), which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, 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 aspects, the financial position of Marquee Arts as of September 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section in our report. We are required to be independent of Marquee Arts and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Marquee Arts' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Marquee 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 Marquee 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Altruic Advisors, CPAs

Certified Public Accountants

Plymouth, Michigan
April 16, 2025

Marquee Arts

Statements of Financial Position

September 30	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 881,916	\$ 1,598,008
Investments	2,636,377	2,501,841
Accounts receivable	76,695	83,741
Pledges receivable, current	633,628	547,357
Grants receivable	8,625	38,875
Inventory	74,654	86,845
Prepaid expenses and other current assets	62,383	74,892
Total current assets	<u>4,374,278</u>	<u>4,931,559</u>
Property and Equipment, Net	<u>9,144,098</u>	<u>9,547,341</u>
Other Assets		
Pledges receivable, noncurrent, net	325,473	433,984
Right-of-use asset, net	280,750	311,639
Trademark	45,850	45,850
Security deposit	3,630	3,630
Total other assets	<u>655,703</u>	<u>795,103</u>
Total assets	<u>\$ 14,174,079</u>	<u>\$ 15,274,003</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 279,131	\$ 221,162
Accrued compensation and benefits	146,319	122,013
Deferred revenue	1,204,241	1,126,288
Operating lease obligation, current portion	28,946	26,788
Total current liabilities	<u>1,658,637</u>	<u>1,496,251</u>
Long-Term Liabilities		
Operating lease obligation, net of current	261,109	290,055
Total long-term liabilities	<u>261,109</u>	<u>290,055</u>
Total liabilities	<u>1,919,746</u>	<u>1,786,306</u>
Net Assets		
Net assets without donor restrictions		
Undesignated	142,509	420,051
Board-designated	11,144,098	12,047,430
Total net assets without donor restrictions	<u>11,286,607</u>	<u>12,467,481</u>
Net assets with donor restrictions	<u>967,726</u>	<u>1,020,216</u>
Total net assets	<u>12,254,333</u>	<u>13,487,697</u>
Total liabilities and net assets	<u>\$ 14,174,079</u>	<u>\$ 15,274,003</u>

The accompanying Notes are an integral part of these financial statements

Marquee Arts

Statement of Activities

Year ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Operating Revenue			
Film and event income	\$ 2,751,516	\$ -	\$ 2,751,516
Membership dues income	8,298	-	8,298
Concessions income, net of related expenses of \$99,687	508,372	-	508,372
Total operating revenue	<u>3,268,186</u>	<u>-</u>	<u>3,268,186</u>
Operating Support			
Grants and contributions	587,653	667,184	1,254,837
In-kind contributions	10,442	-	10,442
Support received from members	521,360	-	521,360
Sponsorships	256,117	-	256,117
Net assets released from restrictions			
Expiration of time restrictions	719,674	(719,674)	-
Total operating support	<u>2,095,246</u>	<u>(52,490)</u>	<u>2,042,756</u>
Total operating revenue and support	<u>5,363,432</u>	<u>(52,490)</u>	<u>5,310,942</u>
Operating Expenses			
Program services	4,284,295	-	4,284,295
Supporting services			
General and administrative	1,716,743	-	1,716,743
Fundraising	815,165	-	815,165
Total operating expenses	<u>6,816,203</u>	<u>-</u>	<u>6,816,203</u>
Total operating revenue and support in deficit of operating expenses	<u>(1,452,771)</u>	<u>(52,490)</u>	<u>(1,505,261)</u>
Other Changes			
Fees collected in lieu of lost rents	68,571	-	68,571
Advertising income	36,955	-	36,955
Interest income	160,987	-	160,987
Miscellaneous income	5,384	-	5,384
Total other changes	<u>271,897</u>	<u>-</u>	<u>271,897</u>
Change in Net Assets	<u>(1,180,874)</u>	<u>(52,490)</u>	<u>(1,233,364)</u>
Net Assets, Beginning of Year	<u>12,467,481</u>	<u>1,020,216</u>	<u>13,487,697</u>
Net Assets, End of Year	<u>\$ 11,286,607</u>	<u>\$ 967,726</u>	<u>\$ 12,254,333</u>

The accompanying Notes are an integral
part of these financial statements

Marquee Arts

Statement of Activities

Year ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Operating Revenue			
Film and event income	\$ 2,023,955	\$ -	\$ 2,023,955
Special event revenue, net of related expenses of \$43,148	(9,874)	-	(9,874)
Membership dues income	14,338	-	14,338
Concessions income, net of related expenses of \$62,521	418,951	-	418,951
Total operating revenue	<u>2,447,370</u>	<u>-</u>	<u>2,447,370</u>
Operating Support			
Grants and contributions	725,543	346,900	1,072,443
Special event sponsorships and donations	102,521	-	102,521
In-kind contributions	95,544	-	95,544
Support received from members	540,527	-	540,527
Sponsorships	101,419	-	101,419
Net assets released from restrictions			
Expiration of time restrictions	484,758	(484,758)	-
Total operating support	<u>2,050,312</u>	<u>(137,858)</u>	<u>1,912,454</u>
Total operating revenue and support	<u>4,497,682</u>	<u>(137,858)</u>	<u>4,359,824</u>
Operating Expenses			
Program services	3,534,266	-	3,534,266
Supporting services			
General and administrative	1,728,578	-	1,728,578
Fundraising	618,910	-	618,910
Total operating expenses	<u>5,881,754</u>	<u>-</u>	<u>5,881,754</u>
Total operating revenue and support in deficit of operating expenses	<u>(1,384,072)</u>	<u>(137,858)</u>	<u>(1,521,930)</u>
Other Changes			
Fees collected in lieu of lost rents	225,000	-	225,000
Advertising income	38,295	-	38,295
Interest income	101,720	-	101,720
Miscellaneous income	897	-	897
Total other changes	<u>365,912</u>	<u>-</u>	<u>365,912</u>
Change in Net Assets	<u>(1,018,160)</u>	<u>(137,858)</u>	<u>(1,156,018)</u>
Net Assets, Beginning of Year	<u>13,485,641</u>	<u>1,158,074</u>	<u>14,643,715</u>
Net Assets, End of Year	<u>\$ 12,467,481</u>	<u>\$ 1,020,216</u>	<u>\$ 13,487,697</u>

The accompanying Notes are an integral
part of these financial statements

Marquee Arts

Statement of Functional Expenses

Year ended September 30, 2024

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,040,447	\$ 922,258	\$ 365,293	\$ 2,327,998
Employee benefits	156,403	170,069	24,324	350,796
Payroll taxes	68,520	77,352	27,084	172,956
Total personnel costs	<u>1,265,370</u>	<u>1,169,679</u>	<u>416,701</u>	<u>2,851,750</u>
Film and live event expenses	1,443,972	9,060	-	1,453,032
Depreciation	707,900	45,185	-	753,085
Other professional services	99,303	201,595	20,208	321,106
Membership expenses	-	-	251,223	251,223
Advertising and promotions	230,661	1,516	-	232,177
Occupancy	174,249	49,610	-	223,859
Bank and service charges	110,204	16,467	-	126,671
Dues and fees	86,548	12,932	11,098	110,578
Repairs and maintenance	87,074	1,232	4,727	93,033
Fundraising	-	-	83,306	83,306
Insurance	58,246	2,427	-	60,673
Legal and accounting	-	47,944	-	47,944
Travel and meetings	-	44,091	-	44,091
Net present value discount	-	40,560	-	40,560
Printing, publications, and postage	6,642	4,876	25,365	36,883
Miscellaneous expenses	9,135	15,986	610	25,731
Bad debt	-	22,294	-	22,294
IT and software expenses	117	17,057	-	17,174
Office expenses	4,874	6,459	1,927	13,260
Taxes and fees	-	7,773	-	7,773
Total expenses	<u>\$ 4,284,295</u>	<u>\$ 1,716,743</u>	<u>\$ 815,165</u>	<u>\$ 6,816,203</u>

The accompanying Notes are an integral part of these financial statements

Marquee Arts

Statement of Functional Expenses

Year ended September 30, 2023

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Salaries and wages	\$ 752,509	\$ 846,107	\$ 401,973	\$ 2,000,589
Employee benefits	151,694	172,491	9,851	334,036
Payroll taxes	61,265	91,277	30,884	183,426
Total personnel costs	965,468	1,109,875	442,708	2,518,051
Film and live event expenses	941,061	-	-	941,061
Depreciation	629,715	41,981	27,987	699,683
Occupancy	152,355	175,083	-	327,438
Other professional services	90,377	125,381	85,446	301,204
Membership expenses	253,268	-	-	253,268
Advertising and promotions	185,584	-	-	185,584
Bank and service charges	78,938	33,831	-	112,769
Dues and fees	86,103	10,647	-	96,750
Repairs and maintenance	70,419	1,098	-	71,517
Legal and accounting	-	64,919	-	64,919
Insurance	48,158	3,888	-	52,046
Bad debt	-	51,919	-	51,919
Fundraising	-	-	49,220	49,220
Travel and meetings	-	30,802	-	30,802
Printing, publications, and postage	18,136	3,822	8,459	30,417
Office expenses	10,097	15,043	5,090	30,230
Miscellaneous expenses	342	29,287	-	29,629
Net present value discount	-	27,092	-	27,092
IT and software expenses	4,245	-	-	4,245
Taxes and fees	-	3,023	-	3,023
Interest expense	-	887	-	887
Total expenses	\$ 3,534,266	\$ 1,728,578	\$ 618,910	\$ 5,881,754

The accompanying Notes are an integral
part of these financial statements

Marquee Arts

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended September 30	2024	2023
Cash Flows From Operating Activities		
Change in net assets	\$ (1,233,364)	\$ (1,156,018)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	753,085	699,683
Non cash change due to lease amortization	4,101	5,204
Reinvested interest	(89,497)	(55,067)
Amortization of net present value discount	(28,224)	(23,124)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	7,046	(34,735)
Pledges receivable	50,464	199,857
Grants receivable	30,250	(38,875)
Inventory	12,191	(60,822)
Prepaid expenses and other current assets	12,509	(40,861)
Accounts payable and accrued expenses	57,969	(45,953)
Accrued compensation and benefits	24,306	24,587
Deferred revenue	77,953	433,160
Net cash used by operating activities	<u>(321,211)</u>	<u>(92,964)</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(349,842)	(476,905)
Net purchases of investments	(45,039)	(2,446,774)
Net cash used by investing activities	<u>(394,881)</u>	<u>(2,923,679)</u>
Cash Flows From Financing Activities		
Principal payments on notes payable	-	(196,450)
Net cash used by financing activities	<u>-</u>	<u>(196,450)</u>
Net Decrease in Cash and Cash Equivalents	(716,092)	(3,213,093)
Cash and Cash Equivalents, Beginning of Year	1,598,008	4,811,101
Cash and Cash Equivalents, End of Year	\$ 881,916	\$ 1,598,008
Supplemental Information		
Cash paid for interest	<u>\$ -</u>	<u>\$ 887</u>

The accompanying Notes are an integral part of these financial statements

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Foundation. The Michigan Theater Foundation, Inc. dba Marquee Arts, ("the Foundation") is a Michigan nonprofit Foundation located in Ann Arbor, Michigan, the purpose of which is to bring together audiences and support to appreciate and advance cinema and the performing arts, measurably benefit the diverse communities it serves, and maintain and protect the historic buildings entrusted to it.

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.

Basis of Accounting. The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents. The Foundation considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments. The Foundation's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See *Fair Value Measurements*.

Unrealized gains and losses, if any, are calculated since the most recent financial statement reporting date. In the year that an investment is sold, unrealized gains and losses are calculated from the most recent financial statement reporting date through the date of sale. Therefore, realized gains and losses are generally not reported. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued).

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for assets measured at fair value on a recurring basis:

Certificates of Deposit. The Foundation values certificates of deposit at fair value by discounting related cash flow based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Treasury Bills. The Foundation values treasury bills with readily determinable market values at fair value as determined by quoted prices on national securities exchanges valued at the closing price on the last business day of the fiscal year.

The valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Accounts Receivable, prior to implementation of ASU 2016-13 (see Note 2). Accounts receivable are stated net of allowances for uncollectible accounts. At the time accounts receivable are originated, the Foundation considers an allowance for doubtful accounts based on the creditworthiness of the client. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Foundation on an ongoing basis. Management believes that all accounts receivable are fully collectible at September 30, 2023.

Accounts Receivable, after implementation of ASU 2016-13 (see Note 2). Accounts receivable consist primarily of amounts due for film and event sales. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of the amount that may not be collectible. In determining the amount of the allowance as of the balance sheet date, the Foundation separates accounts receivable into risk pools based on their aging and develops a loss rate for each pool. The loss rate is based on management's historical collection experience, adjusted for expectations about current and future economic conditions, and the creditworthiness of the payor. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. Management has determined that all amounts are collectible and, therefore, has not recorded an allowance for credit losses as of September 30, 2024.

Pledges and Grants Receivable. Pledges and grants receivable are recognized only when the conditions on which they depend are substantially met and the amounts become unconditional. Pledges and grants receivable are stated net of allowances for uncollectible accounts. Management provides for probable uncollectible accounts through a provision for bad debt expenses and an adjustment to the allowance account based on its assessment of the current status of individual pledges and grants. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to the receivable. The Foundation has recorded an allowance of \$17,500 and \$22,000 for the years ended September 30, 2024 and 2023, respectively.

Inventory. Inventory consists of concession items and retail books for sale and is stated at the lower of cost or net realizable value on a first-in, first-out (FIFO) basis.

Property and Equipment. The Foundation capitalizes all expenditures for property and equipment in excess of \$2,500. Property and equipment are recorded at cost for purchased items and at fair market value at the time of receipt for donated items. Depreciation is calculated utilizing the straight-line method over the estimated useful lives of the assets which are currently three to five years for software, five to forty years for equipment, fifteen years for the liquor license, and three to forty years for buildings and improvements. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts, and any resulting gain or loss is recorded in the year of sale or disposal.

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Intangible Assets. Intangible assets consist of the Foundation's trademark. Definite-lived intangible assets are stated at cost if purchased, or at fair value, if donated. Indefinite-lived intangible assets are not amortized, but are tested for impairment annually, or more frequently if circumstances indicate potential impairment, through a comparison of fair value to its carrying amount. The Foundation also evaluates whether circumstances warrant a revision to the remaining estimated useful life of each intangible asset annually. If the Foundation were to determine that a change in the remaining estimated useful life of an intangible asset was necessary, then the remaining carrying amount of the intangible asset would be amortized prospectively over the revised remaining useful life.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended September 30, 2024 and 2023.

Right-of-Use Assets and Leases. The Foundation determines if an arrangement is a lease at inception. In accordance with Accounting Standards Update 2016-02, *Leases*, Accounting Standards Codification Topic 842 ("ASC 842") as issued by the Financial Accounting Standards Board, operating leases are included in right-of-use ("ROU") lease assets, current portion of lease obligations, and long-term lease obligations on the Foundation's statements of financial position. ROU lease assets represent the Foundation's right to use an underlying asset for the lease term, and lease obligations represent the Foundation's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. The Foundation's lease does not provide an implicit rate, therefore the Foundation uses a risk-free borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments are recognized on a straight-line basis over the lease term.

Basis of Net Asset Presentation. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions:

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated, receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Revenue Recognition.

Film and Event Sales. The Foundation presents movies and live events to the public in each of their historical buildings. The Foundation records revenue on ticket sales at the time of purchase by the customer or at the time the event is held if tickets are pre-purchased. The Foundation typically satisfies its performance obligations for film and event sales at the time of the event.

Concession Sales. The Foundation offers items for sale to enjoy while viewing movies or shows held at each of their venues. Items include popcorn, candy, snacks, and beverages. The Foundation records revenue on concession sales at the time of purchase by the customer.

Membership Fees. Revenue from membership fees is reported at the amount that reflects the consideration to which the Foundation expects to be entitled in exchange for providing the related services. The Foundation recognizes revenue from membership fees as the Foundation satisfies performance obligations under its contracts, which is ratably over the membership term.

Transaction Price. The Foundation determines the transaction price based on standard charges for goods and services provided for the years ended September 30, 2024 and 2023. The Foundation has determined that the nature, amount, timing and uncertainty of revenue and cash flows can be affected by returns and refunds, if any.

Contract Balances. The following table provides information about the Foundation's receivables and contract liabilities from contracts with customers at September 30:

	<u>2024</u>	<u>2023</u>
Accounts receivable, beginning of year	\$ 83,741	\$ 49,006
Accounts receivable, end of year	\$ 76,695	\$ 83,741
Contract liabilities, beginning of year	\$ 1,126,288	\$ 693,128
Contract liabilities, end of year	\$ 1,204,241	\$ 1,126,288

The Foundation's contracts do not include significant financing components.

Grants and Contributions. Grants and contributions are recognized when the amounts are received. Donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Grants and contributions that are restricted by the grantor or donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the amounts are recognized.

Contributed Facilities, Services, and Goods. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. The Foundation received donated facilities, services, and goods for the years ended September 30, 2024 and 2023 (see Note 11).

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Advertising. The Foundation expenses advertising costs as incurred. Total advertising expense was \$232,177 and \$185,584 for the years ended September 30, 2024 and 2023, respectively.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Income Taxes. The Foundation is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. The Foundation is subject to unrelated business income tax on its advertising income. No other provision for income taxes has been made.

Reclassifications. Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation without affecting net assets as of September 30, 2023.

Subsequent Events. The Foundation evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through April 16, 2025, the date at which the financial statements were available to be issued.

Note 2 – New Accounting Pronouncement

During the year ended September 30, 2024, the Foundation adopted the requirements of ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard replaced the incurred loss methodology with a current expected credit loss (CECL) methodology that requires an estimate of credit losses for the remaining estimated useful life of certain financial instruments (e.g. trade receivables) carried at amortized cost. The new standard requires that entities holding assets subject to the CECL model record an allowance for credit losses that is deducted from the amortized cost basis of the assets and that the assets are presented at the net carrying value of the amount expected to be collected. CECL requires that the allowance is based on historical experience, current conditions, and reasonable and supportable forecasts by management at each reporting date. The Foundation adopted ASC 326 effective October 1, 2023 using a modified retrospective approach, and therefore, no adjustments were made to prior period financial statements. As a result of adopting this standard, there was no cumulative effect to the opening balance of net assets as of October 1, 2023.

Note 3 – Fair Value Measurements

The following table summarizes the Foundation's fair value of assets measured on a recurring basis by fair value ("FV") hierarchy as of September 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 1,052,363	\$ -	\$ 1,052,363
Treasury Bills	1,584,014	-	-	1,584,014
	<u>\$ 1,584,014</u>	<u>\$ 1,052,363</u>	<u>\$ -</u>	<u>\$ 2,636,377</u>

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 3 – Fair Value Measurements (continued)

The following table summarizes the Foundation's fair value of assets measured on a recurring basis by fair value ("FV") hierarchy as of September 30, 2023:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 1,019,291	\$ -	\$ 1,019,291
Treasury Bills	1,482,550	-	-	1,482,550
	<u>\$ 1,482,550</u>	<u>\$ 1,019,291</u>	<u>\$ -</u>	<u>\$ 2,501,841</u>

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Foundation evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended September 30, 2024 and 2023, there were no significant transfers in or out of fair value levels.

Investment earnings consisted of the following for the years ended September 30:

	2024	2023
Interest income	<u>\$ 89,497</u>	<u>\$ 55,067</u>

Note 4 – Pledges and Grants Receivable

Pledges and grants receivable are expected to be collected as follows at September 30:

	2024	2023
Due within one year	\$ 642,253	\$ 586,232
Due within one to five years	446,567	547,242
	1,088,820	1,133,474
Less allowance for uncollectible pledges	(17,500)	(22,000)
Less unamortized present value discount	(103,594)	(91,258)
	<u>\$ 967,726</u>	<u>\$ 1,020,216</u>

Pledges and grants receivable due in more than one year are recognized at fair value using present value techniques and a discount rate that ranges between 3.25% and 8.50%.

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 5 – Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2024</u>	<u>2023</u>
State Theater condominium	\$ 5,961,059	\$ 5,909,533
Historic Theater improvements	7,501	7,501
Building improvements	8,289,031	8,148,880
Machinery and equipment	3,564,579	3,459,971
Computer equipment and software	112,250	66,300
Liquor license	56,924	41,659
	<u>17,991,344</u>	<u>17,633,844</u>
Less accumulated depreciation	<u>(8,847,246)</u>	<u>(8,094,161)</u>
	9,144,098	9,539,683
Liquor license not in service	-	7,658
Net property and equipment	<u>\$ 9,144,098</u>	<u>\$ 9,547,341</u>

Depreciation expense for the years ended September 30, 2024 and 2023 was \$753,085 and \$699,683, respectively.

Note 6 – Right-of-Use Assets

Right-of-use assets consist of the following at September 30:

	<u>2024</u>	<u>2023</u>
Right-of-use assets under operating lease (facility)	\$ 341,582	\$ 341,582
Less accumulated amortization	\$ (60,832)	(29,943)
Net right-of-use assets	<u>\$ 280,750</u>	<u>\$ 311,639</u>

Annual amortization for the years ended September 30, 2024 and 2023 was \$30,889 and \$29,943.

Note 7 – Line of Credit

In April 2021, the Foundation entered into a \$1,000,000 revolving line of credit agreement with Bank of Ann Arbor. The agreement, renewed in September 2024, bears interest at 8% and matures in September 2025. There are no outstanding borrowings at September 30, 2024 and 2023.

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 8 – Leases and Commitments

Operating lease obligations consist of the following at September 30:

	<u>2024</u>	<u>2023</u>
Operating lease agreement for office space; current monthly payment of \$3,225, 101-month lease term expiring June 2032, net of unamortized present value discount	<u>\$ 290,055</u>	<u>\$ 316,843</u>
Less current portion	<u>(28,946)</u>	<u>(26,788)</u>
Operating lease obligations, net of current portion, net of unamortized present value discount	<u>\$ (28,946)</u>	<u>\$ (26,788)</u>
Weighted average discount rate at September 30	3.67%	3.67%
Weighted average remaining lease term at September 30	7.75 years	8.75 years

Future annual lease payments required under operating leases are as follows at September 30, 2024:

Year ended September 30	Lease obligations	Present value discount	Net of unamortized discount
2025	\$ 38,992	\$ (10,046)	\$ 28,946
2026	40,162	(8,942)	31,220
2027	41,367	(7,753)	33,614
2028	42,608	(6,474)	36,134
2029	43,886	(5,099)	38,787
Thereafter	127,459	(6,105)	121,354
Total	<u>\$ 334,474</u>	<u>\$ (44,419)</u>	<u>\$ 290,055</u>

The Foundation also leased office equipment under a noncancelable operating lease agreement that expired in March 2025 and required monthly rent payments of \$218. Total rent expense under all equipment leases, including a second office equipment lease that expired in December 2023, was \$4,872 and \$11,628 for the years ended September 30, 2024 and 2023, respectively. As management believes the present value of the total future payments for the current lease is not material to the financial statements, management has chosen to not account for this lease under ASC 842 (see Note 1).

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 9 – Net Assets with Donor Restrictions

The following summarizes the balances of net assets with donor restrictions at September 30, 2024:

	October 1, 2023			September 30, 2024
	Balance	Additions	Releases	Balance
<i>Time restrictions:</i>				
General operating pledges and grants	\$ 645,157	\$ 667,184	\$ 618,035	\$ 694,306
State Theater pledges	375,059	-	101,639	273,420
	<u>\$ 1,020,216</u>	<u>\$ 667,184</u>	<u>\$ 719,674</u>	<u>\$ 967,726</u>

The following summarizes the balances of net assets with donor restrictions at September 30, 2023:

	October 1, 2022			September 30, 2023
	Balance	Additions	Releases	Balance
<i>Time restrictions:</i>				
General operating pledges	\$ 584,816	\$ 346,900	\$ 286,559	\$ 645,157
State Theater pledges	573,258	-	198,199	375,059
	<u>\$ 1,158,074</u>	<u>\$ 346,900</u>	<u>\$ 484,758</u>	<u>\$ 1,020,216</u>

Note 10 – Special Event

The Foundation derived a net loss from the following special fundraising event during the year ended September 30, 2023:

	Spring Benefit
Ticket sales	\$ 33,274
Direct costs	(43,148)
	<u>\$ (9,874)</u>

The Foundation raised \$102,521 in sponsorships and donations as a result of the event during the year ended September 30, 2023.

The Foundation did not hold a fundraising event during the year ended September 30, 2024.

Note 11 – In-kind Contributions

The Foundation received the following in-kind contributions during the years ended September 30:

	2024	2023	Usage
Donated facilities	\$ -	\$ 87,100	General & Admin
Donated HR services	5,560	5,596	General & Admin
Donated miscellaneous goods	4,882	2,848	Program, General & Admin
	<u>\$ 10,442</u>	<u>\$ 95,544</u>	

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 11 – In-kind Contributions (continued)

The Foundation received donated facilities which were valued using like-kind methodology for space per square foot for properties in the Ann Arbor, Michigan area. Donated HR services were valued using estimated average hourly wage for identical services using pricing data of similar services under a "like-kind" methodology, considering the utility services at the time of the contribution. Donated HR services were used for general and administrative use. Donated miscellaneous goods were valued using estimated average US prices for identical or similar products using pricing data of similar products under a "like-kind" methodology, considering the utility of the goods at the time of the contribution. No in-kind contributions were restricted. The Foundation does not sell donated gifts in kind and only uses services, goods, and facilities for its own program or supporting service activities.

Note 12 – Retirement Plan

The Foundation has a 401(k) plan ("the Plan") covering staff who have completed more than 60 days of service and have reached his or her 18th birthday. Employees can make contributions to the Plan up to \$23,000, with an additional \$7,500 catch-up contribution allowed for those turning age 50 or older. The Foundation matches dollar for dollar on the first 3% of an employee's contribution, and \$0.50 on the dollar for the next 2% of an employee's contribution. Employees are immediately vested in employer contributions. The Foundation's contributions during the years ended September 30, 2024 and 2023 totaled \$39,541 and \$33,277, respectively.

Note 13 – IATSE Union Employees

All International Alliance of Theatrical Stage Employees ("IATSE") staff receive health and retirement benefits according to the negotiated IATSE agreement through the IATSE Annuity Fund ("the Fund"). The Fund is a defined contribution plan that provides employees with a retirement savings program, which requires annual contributions from the Foundation. The Foundation's contributions to the Fund for the years ended September 30, 2024 and 2023 totaled \$116,484 and \$103,913, respectively. Based on the hold harmless clause in the union contract, if the Fund goes bankrupt, the Foundation has no obligation to fund the union annuity.

Note 14 – Liquidity and Availability of Resources

The Foundation receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation has a liquidity policy to maintain current financial assets less current liabilities at a minimum of three months budgeted operating expenses. To achieve this target, the Foundation forecasts its future cash flows and monitors its liquidity and reserves at least quarterly. During the years ended September 30, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

Marquee Arts

Notes to Financial Statements

September 30, 2024 and 2023

Note 14 – Liquidity and Availability of Resources (continued)

The Foundation's financial assets available for general expenditures within one year are as follows at September 30:

	<u>2024</u>	<u>2023</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 881,916	\$ 1,598,008
Investments	2,636,377	2,501,841
Accounts receivable	76,695	83,741
Pledges and grants receivable	967,726	1,020,216
	<u>4,562,714</u>	<u>5,203,806</u>
Less amounts not available to be used within one year:		
Pledges for long-term purposes	<u>(325,473)</u>	<u>(433,984)</u>
Financial assets available for general expenditures within one year	<u>\$ 4,237,241</u>	<u>\$ 4,769,822</u>

All of the Foundation's net asset restrictions are generally released within the next fiscal year with the exception of donor pledges for long-term purposes. The Foundation anticipates that all net asset restrictions as of September 30, 2024, other than donor pledges for long-term purposes, will be fully released during the next fiscal year.

The Foundation has a revolving line of credit in the amount of \$1,000,000 at September 30, 2024, which it could draw upon if needed, as further described in Note 7.

Note 15 – Beneficial Interest in Assets Held at Community Foundation

The Ann Arbor Area Community Foundation ("AAACF") acts under an arrangement as a depository for gifts, conveyances, and other transfers intended to assist Marquee Arts in achieving its goals and purposes. At September 30, 2024 and 2023, AAACF held donations for the benefit of Marquee Arts of \$651,813 and \$586,047, respectively. As AAACF holds variance power over these assets and, therefore, has the authority to redirect these funds, these amounts are not recorded as assets of the Foundation.

Note 16 – Concentrations

Bank Deposits. At certain times during the years ended September 30, 2024 and 2023, the Foundation maintained cash balances in excess of federally insured limits. Management believes the risk of loss on these amounts is minimal.

Geographical. The Foundation receives a substantial amount of its operating revenue and support from within the Ann Arbor, Michigan area.



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To the Board of Directors
Michigan Theater Foundation, Inc.
dba. Marquee Arts
Ann Arbor, Michigan

In planning and performing our audit of the financial statements of Michigan Theater Foundation, Inc. dba Marquee Arts (“the Foundation”) as of and for the year ended September 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation’s financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify deficiencies in internal controls that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted other minor matters that did not meet the level of significance needed for reporting with this letter. These matters have been communicated to management in a separate letter.

This communication is intended solely for the information and use of management, the board of directors, the finance committee, and others within the Foundation, and is not intended to be and should not be used by anyone other than these specified parties.

Altruic Advisors, CPAs

Certified Public Accountants

Plymouth, Michigan
April 16, 2025

April 16, 2025

To the Board of Directors
Michigan Theater Foundation, Inc.
dba Marquee Arts
Ann Arbor, Michigan

We have audited the financial statements of Michigan Theater Foundation, Inc. dba Marquee Arts (“the Foundation”) for the year ended September 30, 2024, and have issued our report thereon dated April 16, 2025. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 7, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. As described in Note 2, during the year ended September 30, 2024, the Foundation adopted the requirements of Accounting Standards Updates (ASU) ASU 2016-13, *Financial Instruments – Credit Losses*. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the financial statements was management’s estimate of the functional expense classifications is based on allocations of personnel time as well as the use of certain resources. We evaluated the methods, assumptions, and data used to develop the functional expense classifications in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the other misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 16, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of Marquee Arts and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Altruic Advisors, CPAs

Certified Public Accountants