



# Financial Statements

As of and for the years ended September 30, 2025 and 2024

## 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, 2025 and 2024, 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our 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

March 30, 2026  
Plymouth, Michigan

# Marquee Arts

## Statements of Financial Position

September 30	2025	2024
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 473,892	\$ 881,916
Investments	1,758,905	2,636,377
Accounts receivable	140,203	76,695
Pledges receivable, current	624,181	633,628
Grants receivable	-	8,625
Inventory	57,354	74,654
Prepaid expenses and other current assets	40,393	62,383
Total current assets	<u>3,094,928</u>	<u>4,374,278</u>
<b>Property and Equipment, Net</b>	<u>8,749,683</u>	<u>9,144,098</u>
<b>Other Assets</b>		
Pledges receivable, noncurrent, net	195,746	325,473
Right-of-use asset, net	248,839	280,750
Trademark	45,850	45,850
Security deposit	3,630	3,630
Total other assets	<u>494,065</u>	<u>655,703</u>
Total assets	<u>\$ 12,338,676</u>	<u>\$ 14,174,079</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 192,907	\$ 279,131
Accrued compensation and benefits	114,912	146,319
Deferred revenue	1,094,914	1,204,241
Operating lease obligation, current portion	31,219	28,946
Total current liabilities	<u>1,433,952</u>	<u>1,658,637</u>
<b>Long-Term Liabilities</b>		
Operating lease obligation, net of current	229,889	261,109
Total long-term liabilities	<u>229,889</u>	<u>261,109</u>
Total liabilities	<u>1,663,841</u>	<u>1,919,746</u>
<b>Net Assets</b>		
Net assets without donor restrictions		
Undesignated	105,225	142,509
Board-designated	9,749,683	11,144,098
Total net assets without donor restrictions	<u>9,854,908</u>	<u>11,286,607</u>
Net assets with donor restrictions	<u>819,927</u>	<u>967,726</u>
Total net assets	<u>10,674,835</u>	<u>12,254,333</u>
Total liabilities and net assets	<u>\$ 12,338,676</u>	<u>\$ 14,174,079</u>

The accompanying Notes are an integral part of these financial statements

# Marquee Arts

## Statement of Activities

Year ended September 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Revenue and Support</b>			
<b>Operating Revenue</b>			
Film and event income	\$ 2,763,826	\$ -	\$ 2,763,826
Membership dues income	1,250	-	1,250
Concessions income, net of related expenses of \$172,220	563,089	-	563,089
Total operating revenue	<u>3,328,165</u>	<u>-</u>	<u>3,328,165</u>
<b>Operating Support</b>			
Grants and contributions	582,089	273,537	855,626
In-kind contributions	11,708	-	11,708
Support received from members	524,380	-	524,380
Sponsorships	248,211	-	248,211
Net assets released from restrictions			
Expiration of time restrictions	421,336	(421,336)	-
Total operating support	<u>1,787,724</u>	<u>(147,799)</u>	<u>1,639,925</u>
Total operating revenue and support	<u>5,115,889</u>	<u>(147,799)</u>	<u>4,968,090</u>
<b>Operating Expenses</b>			
Program services	4,198,238	-	4,198,238
Supporting services			
General and administrative	1,757,487	-	1,757,487
Fundraising	737,759	-	737,759
Total operating expenses	<u>6,693,484</u>	<u>-</u>	<u>6,693,484</u>
Total operating revenue and support in deficit of operating expenses	<u>(1,577,595)</u>	<u>(147,799)</u>	<u>(1,725,394)</u>
<b>Other Changes</b>			
Fees collected in lieu of lost rents	26,265	-	26,265
Advertising income	5,720	-	5,720
Interest income	108,056	-	108,056
Miscellaneous income	5,855	-	5,855
Total other changes	<u>145,896</u>	<u>-</u>	<u>145,896</u>
<b>Change in Net Assets</b>	<u>(1,431,699)</u>	<u>(147,799)</u>	<u>(1,579,498)</u>
<b>Net Assets, Beginning of Year</b>	<u>11,286,607</u>	<u>967,726</u>	<u>12,254,333</u>
<b>Net Assets, End of Year</b>	<u>\$ 9,854,908</u>	<u>\$ 819,927</u>	<u>\$ 10,674,835</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
<b>Operating Revenue and Support</b>			
<b>Operating Revenue</b>			
Film and event income	\$ 2,751,516	\$ -	\$ 2,751,516
Membership dues income	8,298	-	8,298
Concessions income, net of related expenses of \$170,508	508,372	-	508,372
Total operating revenue	<u>3,268,186</u>	<u>-</u>	<u>3,268,186</u>
<b>Operating Support</b>			
Grants and contributions	547,093	667,184	1,214,277
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>2,054,686</u>	<u>(52,490)</u>	<u>2,002,196</u>
Total operating revenue and support	<u>5,322,872</u>	<u>(52,490)</u>	<u>5,270,382</u>
<b>Operating Expenses</b>			
Program services	4,259,162	-	4,259,162
Supporting services			
General and administrative	1,701,316	-	1,701,316
Fundraising	815,165	-	815,165
Total operating expenses	<u>6,775,643</u>	<u>-</u>	<u>6,775,643</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>
<b>Other Changes</b>			
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>
<b>Change in Net Assets</b>	<u>(1,180,874)</u>	<u>(52,490)</u>	<u>(1,233,364)</u>
<b>Net Assets, Beginning of Year</b>	<u>12,467,481</u>	<u>1,020,216</u>	<u>13,487,697</u>
<b>Net Assets, End of Year</b>	<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 Functional Expenses

Year ended September 30, 2025

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,319,283	\$ 1,009,167	\$ 308,255	\$ 2,636,705
Employee benefits	208,504	155,431	1,688	365,623
Payroll taxes	69,889	100,847	19,064	189,800
Total personnel costs	<u>1,597,676</u>	<u>1,265,445</u>	<u>329,007</u>	<u>3,192,128</u>
Film and live event expenses	1,032,517	-	10,377	1,042,894
Depreciation	737,412	30,725	-	768,137
Other professional services	77,486	206,301	6,757	290,544
Membership expenses	-	-	282,107	282,107
Occupancy	177,012	52,356	-	229,368
Advertising and promotions	227,240	-	-	227,240
Bank and service charges	103,618	30,950	-	134,568
Dues and fees	72,820	12,893	21,751	107,464
Repairs and maintenance	86,476	-	3,328	89,804
Insurance	64,058	2,669	-	66,727
Fundraising	-	-	57,545	57,545
Legal and accounting	-	54,546	-	54,546
Travel and meetings	-	45,050	-	45,050
Miscellaneous expenses	12,860	19,096	2,569	34,525
Printing, publications, and postage	5,868	4,545	23,447	33,860
Bad debt	-	13,459	-	13,459
Office expenses	3,195	4,610	871	8,676
Taxes and fees	-	8,357	-	8,357
IT and software expenses	-	6,485	-	6,485
Total expenses	<u>\$ 4,198,238</u>	<u>\$ 1,757,487</u>	<u>\$ 737,759</u>	<u>\$ 6,693,484</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	\$ 1,362,786	\$ 918,156	\$ 365,293	\$ 2,646,235
Employee benefits	127,167	199,304	4,350	330,821
Payroll taxes	68,520	77,352	27,084	172,956
Total personnel costs	1,558,473	1,194,812	396,727	3,150,012
Film and live event expenses	1,125,736	9,060	19,974	1,154,770
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
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	\$ 4,259,162	\$ 1,701,316	\$ 815,165	\$ 6,775,643

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	2025	2024
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (1,579,498)	\$ (1,233,364)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	768,137	753,085
Noncash change due to lease amortization	2,964	4,101
Reinvested interest	(50,948)	(89,497)
Amortization of net present value discount	(21,769)	(28,224)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(63,508)	7,046
Pledges receivable	160,943	50,464
Grants receivable	8,625	30,250
Inventory	17,300	12,191
Prepaid expenses and other current assets	21,990	12,509
Accounts payable and accrued expenses	(86,224)	57,969
Accrued compensation and benefits	(31,407)	24,306
Deferred revenue	(109,327)	77,953
Net cash and cash equivalents used by operating activities	<u>(962,722)</u>	<u>(321,211)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(373,722)	(349,842)
Net sales (purchases) of investments	928,420	(45,039)
Net cash and cash equivalents provided (used) by investing activities	<u>554,698</u>	<u>(394,881)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(408,024)</b>	<b>(716,092)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>881,916</b>	<b>1,598,008</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 473,892</b>	<b>\$ 881,916</b>

The accompanying Notes are an integral  
part of these financial statements

# Marquee Arts

## Notes to Financial Statements

As of and for the years ended September 30, 2025 and 2024

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### 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 organization 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

As of and for the years ended September 30, 2025 and 2024

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### 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

As of and for the years ended September 30, 2025 and 2024

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

*Accounts Receivable.* 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, 2025 and 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 \$17,000 and \$17,500 as of September 30, 2025 and 2024, 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 and the website, 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.

*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, 2025 and 2024.

# Marquee Arts

## Notes to Financial Statements

As of and for the years ended September 30, 2025 and 2024

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

*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.

#### *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.

# Marquee Arts

## Notes to Financial Statements

As of and for the years ended September 30, 2025 and 2024

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

*Revenue Recognition* (continued).

*Transaction Price.* The Foundation determines the transaction price based on standard charges for goods and services provided for the years ended September 30, 2025 and 2024. 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>2025</u>	<u>2024</u>
Accounts receivable, beginning of year	\$ 76,695	\$ 83,741
Accounts receivable, end of year	\$ 140,203	\$ 76,695
Contract liabilities, beginning of year	\$ 1,204,241	\$ 1,126,288
Contract liabilities, end of year	\$ 1,094,914	\$ 1,204,241

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 services and goods for the years ended September 30, 2025 and 2024 (see Note 9).

*Advertising.* The Foundation expenses advertising costs as incurred. Total advertising expense was \$227,240 and \$232,177 for the years ended September 30, 2025 and 2024, 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, 2024.

# Marquee Arts

## Notes to Financial Statements

As of and for the years ended September 30, 2025 and 2024

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

*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 March 30, 2026, the date at which the financial statements were available to be issued.

### Note 2 – 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, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 204,729	\$ -	\$ 204,729
Treasury bills	1,345,864	-	-	1,345,864
Cash and cash equivalents	208,312	-	-	208,312
	<u>\$ 1,554,176</u>	<u>\$ 204,729</u>	<u>\$ -</u>	<u>\$ 1,758,905</u>

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	\$ -	\$ 821,354	\$ -	\$ 821,354
Treasury bills	1,584,014	-	-	1,584,014
Cash and cash equivalents	231,009	-	-	231,009
	<u>\$ 1,815,023</u>	<u>\$ 821,354</u>	<u>\$ -</u>	<u>\$ 2,636,377</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, 2025 and 2024, there were no significant transfers in or out of fair value levels.

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

	<u>2025</u>	<u>2024</u>
Interest income	<u>\$ 50,948</u>	<u>\$ 89,497</u>

# Marquee Arts

## Notes to Financial Statements

As of and for the years ended September 30, 2025 and 2024

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### Note 3 – Pledges and Grants Receivable

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

	<u>2025</u>	<u>2024</u>
Due within one year	\$ 624,181	\$ 642,253
Due within one to five years	315,403	446,567
	<u>939,584</u>	1,088,820
Less allowance for uncollectible pledges	(17,000)	(17,500)
Less unamortized present value discount	(102,657)	(103,594)
	<u>\$ 819,927</u>	<u>\$ 967,726</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%.

### Note 4 – Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2025</u>	<u>2024</u>
State Theater condominium	\$ 5,961,059	\$ 5,961,059
Historic Theater improvements	7,501	7,501
Building improvements	8,555,655	8,289,031
Machinery and equipment	3,631,385	3,564,579
Computer equipment and software	127,125	112,250
Liquor license	82,341	56,924
	<u>18,365,066</u>	17,991,344
Less accumulated depreciation	(9,615,383)	(8,847,246)
Net property and equipment	<u>\$ 8,749,683</u>	<u>\$ 9,144,098</u>

Depreciation expense for the years ended September 30, 2025 and 2024 was \$768,137 and \$753,085, respectively.

### Note 5 – Right-of-Use Asset

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

	<u>2025</u>	<u>2024</u>
Right-of-use asset under operating lease (facility)	\$ 341,582	\$ 341,582
Less accumulated amortization	(92,743)	(60,832)
Net right-of-use asset	<u>\$ 248,839</u>	<u>\$ 280,750</u>

# Marquee Arts

## Notes to Financial Statements

As of and for the years ended September 30, 2025 and 2024

### Note 6 – 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 2025, bears interest at 7% and matured in March 2026. There were no outstanding borrowings at September 30, 2025 and 2024.

### Note 7 – Leases and Commitments

Operating lease obligation consists of the following at September 30:

	<u>2025</u>	<u>2024</u>
Operating lease agreement for office space; current monthly payment of \$3,322, 101-month lease term expiring June 2032, net of unamortized present value discount	<u>\$ 261,108</u>	<u>\$ 290,055</u>
Less current portion	<u>(31,219)</u>	<u>(28,946)</u>
Operating lease obligation, net of current portion, net of unamortized present value discount	<u>\$ 229,889</u>	<u>\$ 261,109</u>
Weighted average discount rate at September 30	<b>3.67%</b>	3.67%
Weighted average remaining lease term at September 30	<b>6.75 years</b>	7.75 years

Rent expense for the aforementioned lease was \$38,992 and \$37,856 during the years ended September 30, 2025 and 2024, respectively.

Future annual lease payments required under operating leases are as follows at September 30, 2025:

Year ended September 30	Lease obligations	Present value discount	Net of unamortized discount
2026	\$ 40,162	\$ (8,943)	\$ 31,219
2027	41,367	(7,753)	33,614
2028	42,608	(6,474)	36,134
2029	43,886	(5,099)	38,787
2030	45,202	(3,625)	41,577
Thereafter	82,257	(2,480)	79,777
Total	<u>\$ 295,482</u>	<u>\$ (34,374)</u>	<u>\$ 261,108</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 \$1,310 and \$4,872 for the years ended September 30, 2025 and 2024, 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

As of and for the years ended September 30, 2025 and 2024

### Note 8 – Net Assets with Donor Restrictions

The following summarizes the balances of net assets with donor restrictions at September 30, 2025:

	October 1, 2024 Balance	Additions	Releases	September 30, 2025 Balance
<i>Time restrictions:</i>				
General operating pledges and grants	\$ 694,306	\$ 273,537	\$ 414,085	\$ 553,758
State Theater pledges	273,420	-	7,251	266,169
	<u>\$ 967,726</u>	<u>\$ 273,537</u>	<u>\$ 421,336</u>	<u>\$ 819,927</u>

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

	October 1, 2023 Balance	Additions	Releases	September 30, 2024 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>

### Note 9 – In-kind Contributions

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

	2025	2024	Usage
Donated HR services	\$ 1,510	\$ 5,560	General & Admin
Donated miscellaneous goods	10,198	4,882	Program, General & Admin
	<u>\$ 11,708</u>	<u>\$ 10,442</u>	

The Foundation received donated HR services that were valued using estimated average hourly wage for identical services using pricing data of similar services under a "like-kind" methodology, considering the utility of 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 and goods for its own program or supporting service activities.

# Marquee Arts

## Notes to Financial Statements

As of and for the years ended September 30, 2025 and 2024

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### Note 10 – 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, 2025 and 2024 totaled \$35,180 and \$39,541, respectively.

### Note 11 – 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, 2025 and 2024 totaled \$128,532 and \$116,484, respectively. Based on the hold harmless clause in the union contract, if the Fund goes bankrupt, the Foundation would have no obligation to fund the union annuity.

### Note 12 – 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, 2025 and 2024, the level of liquidity and reserves was managed within the policy requirements.

# Marquee Arts

## Notes to Financial Statements

As of and for the years ended September 30, 2025 and 2024

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### Note 12 – 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>2025</u>	<u>2024</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 473,892	\$ 881,916
Investments	1,758,905	2,636,377
Accounts receivable	140,203	76,695
Pledges and grants receivable	819,927	967,726
	<u>3,192,927</u>	<u>4,562,714</u>
Less amounts not available to be used within one year:		
Pledges for long-term purposes	<u>(195,746)</u>	<u>(325,473)</u>
Financial assets available for general expenditures within one year	<u>\$ 2,997,181</u>	<u>\$ 4,237,241</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, 2025, other than donor pledges for long-term purposes, will be fully released during the next fiscal year.

### Note 13 – 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, 2025 and 2024, AAACF held donations for the benefit of Marquee Arts of \$698,677 and \$651,813, 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 14 – Concentration of Risk

*Bank Deposits.* At certain times during the years ended September 30, 2025 and 2024, 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.

### Note 15 – Contingencies

The Foundation is a defendant in a legal proceeding arising in the ordinary course of its business. Although the outcome of the proceeding cannot presently be determined, management believes the outcome will not have a material adverse effect on the financial position of the Foundation.

The Foundation's external counsel has represented that it does not believe the Foundation has any financial liability with respect to unasserted claims as of the date at which the financial statements were available for release.