

**Music Hall Center for the Performing Arts, Inc.**

Audit of Financial Statements

September 30, 2024

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
of Music Hall Center for the Performing Arts, Inc.

**Qualified Opinion**

We have audited the accompanying financial statements of Music Hall Center for the Performing Arts, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of insurance premiums recorded as an asset in the financial statements improperly as described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Music Hall Center for the Performing Arts, Inc. as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Qualified Opinion**

The organization recorded as an asset insurance premium of \$189,100 paid on a life insurance policy owned by an employee. The effects on the accompanying financial statements for recording insurance premiums as an asset have not been determined. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Music Hall Center for the Performing Arts, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 Music Hall Center for the Performing Arts, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's 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 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.

## Montgomery & Company, PLLC

Certified Public Accountant  
20755 Greenfield Suite 905  
Southfield, Michigan 48075  
(248) 557-2881 (248) 557-8726 FAX

- 
- 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 Music Hall Center for the Performing Arts, Inc.'s internal control. Accordingly, no such opinion is expressed.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
  - Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Music Hall Center for the Performing Arts, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Montgomery & Company, PLLC  
Southfield, Michigan  
June 17, 2025

**Music Hall Center for the Performing Arts, Inc.**  
**Statement of Financial Position**  
**September 30, 2024**

**Assets**

**CURRENT ASSETS**

|   |    |                |
|---|----|----------------|
| Cash and cash equivalents                                 | \$ | 150,014        |
| Investments   |    | 13,695         |
| Accounts receivable - less allowance for doubtful account |    | 402,090        |
| Employee Receivables                                      |    | 35,685         |
| Inventory   |    | 116,256        |
| Prepaid expenses and other current assets                 |    | <u>132,082</u> |

**Total Current Assets** 849,822

**LAND, BUILDING AND EQUIPMENT**

|  |                   |
|--|-------------------|
| At cost, less accumulated depreciation | <u>11,578,237</u> |
|--|-------------------|

**Net Property and Equipment** 11,578,237

**OTHER ASSETS**

|                         |                  |
|-------------------------|------------------|
| Life insurance premiums | 189,100          |
| Right-of-use asset      | <u>7,923,467</u> |

**Total Other Assets** 8,112,567

**TOTAL ASSETS** \$ 20,540,628

**Liabilities and Net Assets**

**CURRENT LIABILITIES**

|                  |    |                  |
|------------------|----|------------------|
| Accounts payable | \$ | 3,664,832        |
| Deferred revenue |    | 899,608          |
| Accrued expenses |    | 606,149          |
| Note payable     |    | <u>1,009,446</u> |

**Total Current Liabilities** 6,179,835

**LONG-TERM LIABILITIES**

|                 |                  |
|-----------------|------------------|
| Lease Liability | 8,321,556        |
| Notes Payable   | <u>5,133,851</u> |

**Total Long-Term Liabilities** 13,455,407

**Total Liabilities** 19,635,242

**NET ASSETS**

|                            |          |
|----------------------------|----------|
| Without donor restrictions | 905,384  |
| With donor restrictions    | <u>0</u> |

**Total Net Assets** 905,384

**TOTAL LIABILITIES AND**

**NET ASSETS** \$ 20,540,628

See Notes to Financial Statements

**Music Hall Center for the Performing Arts, Inc.**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2024**

|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|---------------------------------------|-------------------------------|----------------------------|-------------------|
| <b>Revenue:</b>                       |                               |                            |                   |
| Performances                          | \$ 4,431,454                  | \$ 0                       | \$ 4,431,454      |
| Concession sales                      | 1,261,083                     | 0                          | 1,261,083         |
| Other support                         | 2,110,447                     | 0                          | 2,110,447         |
| MHC Parking Revenue                   | 420,270                       | 0                          | 420,270           |
| Contributions                         | 811,660                       | 0                          | 811,660           |
| Grants                                | 143,600                       | 0                          | 143,600           |
| Fundraising Income                    | 114,309                       | 0                          | 114,309           |
| Net assets released from restrictions | <u>0</u>                      | <u>0</u>                   | <u>0</u>          |
| <b>Total Revenue</b>                  | <u>9,292,823</u>              | <u>0</u>                   | <u>9,292,823</u>  |
| <b>Total Support and Revenue</b>      | <u>9,292,823</u>              | <u>0</u>                   | <u>9,292,823</u>  |
| <b>Expenses:</b>                      |                               |                            |                   |
| Operating Expenses                    | 9,175,053                     | 0                          | 9,175,053         |
| Fundraising Expenses                  | <u>1,027</u>                  | <u>0</u>                   | <u>1,027</u>      |
| <b>Total Expenses</b>                 | <u>9,176,080</u>              | <u>0</u>                   | <u>9,176,080</u>  |
| <b>Change in Net Assets</b>           | <u>116,743</u>                | <u>0</u>                   | <u>116,743</u>    |
| <b>Net Assets - Beginning of Year</b> | 1,499,823                     | 0                          | 1,499,823         |
| <b>Prior Period Adjustment</b>        | <u>(711,182)</u>              | <u>0</u>                   | <u>(711,182)</u>  |
| <b>Net Assets - End of Year</b>       | <u>\$ 905,384</u>             | <u>\$ 0</u>                | <u>\$ 905,384</u> |

See Notes to Financial Statements

**Music Hall Center for the Performing Art  
Statement of Cash Flows  
For the Year Ended September 30, 2024**

|   |                          |
|---|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |
| Change in Net Assets  | \$ 116,743               |
| <b>Adjustments to reconcile change in Net Assets<br/>(Loss) to net Cash provided by<br/>(used in) operating activities:</b> |                          |
| Prior Period Adjustment   | (711,182)                |
| Depreciation and Amortization   | 221,249                  |
| Unrealized Gain   | (33,334)                 |
| <b>Decrease (Increase) In<br/>Operating Assets:</b>   |                          |
| Investments   | 178,479                  |
| Accounts Receivable   | 22,684                   |
| Pledge and Grant Receivable   | 1,010,700                |
| Inventory   | (75,656)                 |
| Prepaid Expenses  | 738,510                  |
| Other Assets  | (189,100)                |
| <b>Increase (Decrease) In<br/>Operating Liabilities:</b>  |                          |
| Accounts Payable  | 2,737,433                |
| Deferred Revenue  | (102,154)                |
| Accrued Expenses  | 77,621                   |
| Notes Payable   | 0                        |
| Total Adjustments   | <u>3,875,250</u>         |
| <b>Net Cash Provided By Operating Activities</b>  | <b>3,991,993</b>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |
| Addition & Disposals of Fixed Assets  | (4,971,169)              |
| Sale of Property & Equipment  | 0                        |
| <b>Net Cash Used By Investing Activities</b>  | <b>(4,971,169)</b>       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                          |
| Lease Liability Payments  | (3,818)                  |
| Borrowing (repayment) of long-term debt   | 601,035                  |
| <b>Net Cash Provided By Financing Activities</b>  | <b>597,217</b>           |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>(381,959)</b>         |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>   | <b>531,973</b>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <b>\$ <u>150,014</u></b> |
| <b>SUPPLEMENTAL DATA</b>  |                          |
| Interest Paid   | <b>\$ <u>552,321</u></b> |

See Notes to Financial Statements

**Music Hall Center for the Performing Art  
Statement of Operating Expenses  
September 30, 2024**

**Other Expenses:**

|                                |    |           |
|--------------------------------|----|-----------|
| House Staff Wages              | \$ | 113,088   |
| Temp Hall Bartender/Café Wages |    | 35,348    |
| Stagehand Wages                |    | 382,268   |
| Wardrobe Wages                 |    | 6,024     |
| FICA Show Staff                |    | 41,085    |
| MESC Show Staff                |    | 12,273    |
| Stagehands Pension             |    | 41,768    |
| Stagehands Health Benefits     |    | 69,180    |
| Show Equipment Rental          |    | 342,043   |
| Bar Concessions                |    | 742,466   |
| License Fee                    |    | 29,616    |
| Promoters                      |    | 2,257,962 |
| Artists Fees                   |    | 1,578,664 |
| Artist Travel & Hospitality    |    | 52,760    |
| Show Advertising               |    | 12,719    |
| Show Services                  |    | 75,182    |
| Advertising                    |    | 245,787   |
| Legal & Audit                  |    | 26,471    |
| Dues & Subscriptions           |    | 13,456    |
| Taxes & Licenses               |    | 22,268    |
| Postage                        |    | 1,193     |
| Parking                        |    | 72,180    |
| Printing & Photocopying        |    | 13,493    |
| Bank Charges                   |    | 58,339    |
| Board of Trustees              |    | 5,051     |
| Permanent Staff Wages          |    | 1,071,323 |
| FICA                           |    | 78,417    |
| 401k Match                     |    | 36,934    |
| Health Insurance               |    | 146,892   |
| MESC Permanent Staff           |    | 4,134     |
| Worker's Compensation          |    | 8,211     |
| Employee Relations             |    | 2,562     |
| Purchased Services             |    | 205,463   |
| Fundraising Artist Expenses    |    | 1,027     |
| Building Repairs & Maintenance |    | 10,046    |
| Janitorial                     |    | 40,299    |
| Utilities                      |    | 282,344   |
| Telephone                      |    | 46,862    |
| Office Supplies                |    | 11,309    |
| Computer Maintenance & Repairs |    | 18,905    |
| Depreciation                   |    | 136,657   |

See Notes to Financial Statements

**Music Hall Center for the Performing Art**  
**Statement of Operating Expenses**  
**September 30, 2024**

|                             |                         |
|-----------------------------|-------------------------|
| Amortization                | 84,592                  |
| Lease/Rent                  | 500                     |
| Hospitality                 | 98,255                  |
| Business Insurance          | 119,318                 |
| Interest                    | 482,525                 |
| Bad Debt                    | 50,285                  |
| Miscellaeous                | 23,850                  |
| Unrealized (Gain)/Loss      | <u>(33,334)</u>         |
| <br>                        |                         |
| <b>Total Other Expenses</b> | <u><b>9,176,080</b></u> |

See Notes to Financial Statements

**Music Hall Center for the Performing Arts, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The Music Hall Center for the Performing Arts, Inc., was organized to promote and foster the continued development of culture and the performing arts in the metropolitan Detroit area. The organization receives and administers funds and assets for charitable, literary and educational purposes. The organization receives funding from the public and from the operation of the performing arts center.

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of ASC 958-210, Financial Statements of Not-For Profit Organizations FASB Accounting Standards Codification. The organization is required to report information regarding its financial position and activities according to two classes of net assets. Net assets with donor restrictions and net assets without donor restrictions.

Revenue Recognition

Contributions received are recorded as restricted support, depending on the existence and/or nature of any donor restrictions.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Contributions and Grants

Contributions which include unconditional promises to give are recognized as revenues in the period made. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Concentration of Credit Risk

The organization maintains a cash balances at local banks. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of September 30, 2024, the organization did not have uninsured cash.

**Music Hall Center for the Performing Arts, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

Cash and Cash Equivalents

The organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents including deposits in banks.

Accounts Receivables

Account's receivables consist of the following items as of September 30, 2024.

|                              |                   |
|------------------------------|-------------------|
| Accounts Receivables – Trade | \$ 441,590        |
| Less Allowance for Bad Debt  | (39,500)          |
| Total                        | \$ <u>402,090</u> |

Prepaid Expenses & Other Current Assets

|                                     |                  |
|-------------------------------------|------------------|
| Prepaid Expense – Other             | \$ 41,849        |
| Prepaid Expense Insurance           | 14,504           |
| Prepaid Expense – Show Expenses     | 71,790           |
| Prepaid Expenses – Taxes & Licenses | 3,939            |
| Total                               | <u>\$843,264</u> |

Fixed Assets (Building and Equipment)

The organization has recorded fixed assets owned by the organization. Generally accepted accounting principles require that organizations record fixed assets at cost and depreciate them over their estimated useful lives.

Office and stage equipment 5 - 20 years

Depreciation for the fiscal year ended September 30, 2024 is \$221,249.

|                                |                |
|--------------------------------|----------------|
| Land                           | \$ 4,618,000   |
| Building Improvements          | 1,387,061      |
| Bar Equipment                  | 174,493        |
| Office Equipment               | 945,566        |
| Building Maintenance Equipment | 42,635         |
| Stage Equipment                | 128,535        |
| Building Renovations           | 19,666         |
| Amphitheater                   | <u>117,040</u> |
| Total Depreciable Assets       | \$ 2,814,995   |

**Music Hall Center for the Performing Arts, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

|                                 |                      |
|---------------------------------|----------------------|
| Accumulated Depreciation        | <u>\$(1,419,206)</u> |
| Net Assets                      | \$ 1,395,789         |
| Expansion Project in Process    | 5,513,807            |
| Selma Lounge Project in Process | 50,641               |
| Total Construction in Process   | <u>\$ 5,564,448</u>  |
| Total                           | \$ 11,578,237        |

Inventory

Inventory consists of items for concession and novelty sales. Inventory is recorded at the lower of cost or market. Inventory is recorded as \$116,256 as of September 30, 2024.

Outdoor Sign Lease

The organization entered into a 10-year lease agreement on July 7, 2014 for a \$1,000,000, prepayment and revenue sharing with lessor until the lessee has cumulative net advertising revenues collected from the sale of advertising copy for the display spaces reaches \$1,500,000. This is defined as all revenues collected less agency commissions. Management has estimated based on revenue collected currently, that this level of advertising sales will be achieved after 3 years. After the cumulative aggregate net advertising revenues collected reaches the desired mark of \$1,500,000, lessee will begin a shared net advertising revenue split with the lessor. Lessee will pay lessor rents equaling 15% of the net advertising revenues collected for the remaining 7 years of the lease term. Revenue for the fiscal period amounted to \$158,507. It is included in Other Support Revenue.

During the 5-year extended term, if any the shared net advertising revenues split will be the first 2 years (years 10 thru year 12), lessee will pay to lessor rents equaling 20% of net advertising revenues collected from display spaces. Revenues collected from (year 13 thru year 15), lessee will pay to lessor rents equal to 25% of net advertising revenues collected.

Leases

In 2023, Music Hall Center for the Performing Arts, Inc., adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires leases to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The organization elected not to restate the prior year of 2022. It also elected not to reassess at adoption, expired or existing contracts to determine whether they are or contain a lease. As a result of implementing ASU No. 2016-02, the organization recognized right-of-use assets of \$7,923,467 (net of amortization - \$451,158) and lease liabilities totaling \$8,321,556 in its statement of financial position as of September 30, 2024. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended September 30, 2024.

Future maturities of lease liabilities are presented in the following schedule for years ending:

|            |                     |
|------------|---------------------|
| 2025       | \$ 4,013            |
| 2026       | 4,219               |
| 2027       | 4,435               |
| 2028       | 4,661               |
| 2029       | 4,900               |
| Thereafter | 8,299,328           |
|            | <u>\$ 8,321,556</u> |

**Music Hall Center for the Performing Arts, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note B –Accrued Expenses**

Accrued expenses amount to \$606,149 as of September 30, 2024.

This amount includes, wages payable, taxes payable, accrued payroll, employee withholding and accrued interest.

|                          |    |                |
|--------------------------|----|----------------|
| Accrued Expenses – Other | \$ | 378,376        |
| Accrued Payroll          |    | 227,584        |
| Misc                     |    | 189            |
| Total                    | \$ | <u>606,149</u> |

**Note C - Deferred Revenue**

|                                |    |                |
|--------------------------------|----|----------------|
| Deposits Theatre Rental        | \$ | 11,225         |
| Advance Tickets Sales          |    | 555,032        |
| Show Expense Advance           |    | 331,670        |
| Advance Gift Certificate Sales |    | 1,681          |
| Total                          | \$ | <u>899,608</u> |

**Note D - Note Payable - Current**

|   |    |                  |
|---|----|------------------|
| SBA Loan Note   | \$ | 13,181           |
| Parting Lot Note – Interest                                       |    | 216,000          |
| Project Initiation Loan   |    | 240,000          |
| Building Note – Music Hall, LLC<br>(No agreement (zero) Interest) |    | <u>540,265</u>   |
| Total   | \$ | <u>1,009,446</u> |

**Note E – Fair Value of Financial Instruments**

The FASC ASC Topic "financial instruments" clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Disclosure includes reporting hierarchy in which fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). The carrying amount of cash, and approximates fair value due to the short maturity of these financial instruments.

**Music Hall Center for the Performing Arts, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

|                                | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------------|----------------|----------------|----------------|--------------|
| Fixed Maturities               | \$ -           | \$ -           | \$ -           | \$ -         |
| Equities                       | 13,695         | -              | -              | -            |
| Mutual Funds                   | -              | -              | -              | -            |
|                                | -----          | -----          | -----          | -----        |
| Total Investment at Fair Value | \$ 13,695      | \$ -           | \$ -           | \$ -         |

**Note F – Notes Payable Long Term**

Economic Disaster Injury Loan (SBA)  
 Bearing interest at 2.75%, 30-year term  
 Due June 3, 2050 with monthly payments  
 Of \$2,208 \$ 483,851

Trustee Loans - Balloon Secured promissory  
 Note payable to Julius Combes Irrevocable  
 Trust at 5%, two yearly interest payments  
 Of \$25,000 starting, December 31, 2022  
 On second payment all principle  
 And accrued interest is due 500,000

Parking Lot Mortgage – Balloon Secured  
 Promissory note, bearing interest at 8%  
 To Music Hall Park, LLC, starting  
 May 1, 2022, eight-two consecutive  
 Payments of \$18,000 are due, on the  
 Eighty third month, all principle and  
 Accrued interest are due 3,600,000

Second Balloon Secured Promissory Note  
 bearing interest at 8% to Music Hall Park, LLC  
 Payment of \$4,250 starting on October 1, 2024.  
 For 83 months. Original Note is \$850,000  
 With distributions. During the fiscal year  
 \$150,000 was used. Maturity Date  
 August 1, 2031 150,000

Life Insurance Loan (From Officer  
 No agreement) 400,000

Total \$ 5,133,851

**Music Hall Center for the Performing Arts, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note G - Income Tax**

The organization is exempt from Federal income taxes under Code Section 501(c) (3) of the Internal Revenue Service.

**Note H – Taxes**

Sales Tax amounting to \$150,492 is owed as of September 30, 2024.

**Note I – Uncertain Tax Position**

The Organization receives income from advertising and leasing an outdoor sign. The total amount recognized was \$158,507 as of September 30, 2024. This revenue could be considered unrelated business income if the activity is a trade or business, it is regularly carried on and if it is not substantially related to furthering the exempt purpose of the organization. The estimated tax liability is \$31,701.

The validity of a tax position is a matter of tax law. In some cases, the law is subject to varied interpretation and whether a tax position will ultimately be sustained may be uncertain. FASB ASC 740-10-25-6 which applies to income taxes, limits the recognition of uncertain tax positions to only the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Management feels that it is not likely based on the technical merits that the position will be sustained upon examination.

**Note J - Compensated Absences**

The organization allows employees to receive compensation for vacation and sick leave as work-load allows. Compensated absences for vacation and sick pay have not been accrued because they expire at the end of each year; but are expensed as incurred.

**Note K– Advertising Expense**

Advertising costs incurred that are included in operating expenses and fund-raising expenses for the year ended September 30, 2024 amounted to \$ 245,787.

**Note L– Related Party Transactions**

Amounts due to related parties are \$1,717,849 as of September 30,2024. Several of the loans are not formal and bear no interest rate. Interest is not imputed.

|   |                |
|---|----------------|
| Accrued payroll – Executive Director        | \$ 223,255     |
| Trustee Loans                               | 500,000        |
| Life Insurance ( Cash Value Loan) – Officer | 400,000        |
| Building Note- Music Hall, LLC              | <u>540,265</u> |
| Total                                       | \$ 1,717,849   |

**Music Hall Center for the Performing Arts, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

On June 1, 2019 Music Hall Center for the Performing Arts, Inc. signed an agreement to lease the building from Music Hall, LLC for an annual base rent of \$420,000. The term of the lease is 99 years. Music Hall Center for the Performing Arts, Inc., has the option to purchase the building as follows:

The remaining principal amount of the initial property mortgage obtained from the Bank of Ann Arbor by lessor shall be recalculated at the time of sale and added to initial investment by landlord/lessor of \$1,000,000 to arrive at a base sale price. In addition, the landlord/lessor will be entitled to receive a bonus fee of \$1,000,000 in addition to the base sale price establish final purchase price. If the option to buy the building is not exercised within a 5-year period the landlord/lessor must refinance initial mortgage, with the same formula will apply to the new mortgage.

**Note M- Trade Activities**

The organization participates in trade transactions. The organization has established a rental arrangement with Integrity Building Group for a five-year term. Integrity Building Group rents space for \$18,000 per year in exchange for repairs to the building.

The organization has a trade agreement with the Opera House for the use their parking facility in exchange for advertising space on the outdoor board. The value of the agreement is estimated to be \$18,000 per year.

The organization has a relationship with Google in which advertising is purchased and Google donates in the form of credits to the account. This activity is considered fund raising by the organization. The amount received is \$114,309.

**Note N – Other Support**

Other Support amounts to \$2,110,447 as of September 30, 2024. It includes the following items:

|                                |                     |
|--------------------------------|---------------------|
| Advertising Income             | \$ 158,507          |
| Box Office Handling            | 4,341               |
| Rental Income                  | 1,352,297           |
| Preservation Ticket Fee Income | 223,740             |
| Ticket Master Royalty income   | 206,469             |
| Misc. income                   | 165,093             |
| <b>Total</b>                   | <b>\$ 2,110,447</b> |

**Note O - Liquidity and Availability of Financial Resources**

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

|  |                  |
|--|------------------|
| Cash & Cash Equivalents                            | \$163,709        |
| <b>Total</b>                                       | <b>\$163,709</b> |
| Less: those unavailable for<br>Expenditures within |                  |

**Music Hall Center for the Performing Arts, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

|  |                 |
|--|-----------------|
| One year due to<br>Donor-imposed   |                 |
| Restrictions   | \$ 0            |
| Financial assets available to<br>Meet cash needs for general<br>Expenditures within one year | <hr/> \$163,709 |

**NOTE P – Fair Value of Investments**

The organization has recorded increases and decreases in investments. Realized gains amount to \$33,334. The amount is included in the Statement of Operating Expenses.

**Note Q Prior Period Adjustment**

An error was made in fiscal year 2019 by recording miscellaneous income that was not collected of \$711,182. ASC 250-10-50 requires correction of error and disclosure. The cumulative effect of the correction is to decrease net assets without donor restrictions by \$711,182. Prior period financial statements have not been restated. Management feels that restatement of the financial statements is impracticable

**Note R - Subsequent Events**

A loan for \$850,000 was entered into on August 1, 2024. The organization received \$150,000 at closing. Then subsequently on October 31, 2024 the organization received \$500,000. An additional \$200,000 is owed based on the loan agreement. Additional loans received from individuals in fiscal year 2025 amounted to \$150,000.

Subsequent events have been evaluated through the date these financial statements were available to be issued June 17, 2025