

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

Audit of Financial Statements

September 30, 2025

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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, 2025, 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 \$378,200 paid on a life insurance policy owned by an employee. The organization also recorded \$420,000 as parking lot income. Amortization expense of \$84,592 was not recorded. Interest accrual of \$91,333 was not recorded. Correction of an error in a prior period amounting to \$132,037 was not recorded. The effects on the accompanying financial statements for recording insurance premiums as an asset and recording parking lot income, and not recording amortization and interest accrual 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.

## Montgomery & Company, PLLC

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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 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

March 27, 2026

**Music Hall Center for the Performing Arts, Inc.**  
**Statement of Financial Position**  
**September 30, 2025**

**Assets**

**CURRENT ASSETS**

Cash and cash equivalents	\$	187,251
Investments		15,969
Accounts receivable - less allowance for doubtful account		333,741
Employee Receivables		35,360
Inventory		64,766
Prepaid expenses and other current assets		<u>130,676</u>

**Total Current Assets** 767,763

**LAND, BUILDING AND EQUIPMENT**

At cost, less accumulated depreciation	<u>12,771,976</u>
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**Net Property and Equipment** 12,771,976

**OTHER ASSETS**

Life insurance premiums	378,200
Right-of-use asset	<u>7,923,467</u>

**Total Other Assets** 8,301,667

**TOTAL ASSETS** \$ 21,841,406

**Liabilities and Net Assets**

**CURRENT LIABILITIES**

Accounts payable	\$	3,795,758
Deferred revenue		949,477
Accrued expenses		441,948
Note payable		<u>1,253,086</u>

**Total Current Liabilities** 6,440,269

**LONG-TERM LIABILITIES**

Lease Liability	8,317,543
Notes Payable	<u>5,988,665</u>

**Total Long-Term Liabilities** 14,306,208

**Total Liabilities** 20,746,477

**NET ASSETS**

Without donor restrictions	1,094,929
With donor restrictions	<u>0</u>

**Total Net Assets** 1,094,929

**TOTAL LIABILITIES AND  
NET ASSETS**

\$ 21,841,406

See Notes to Financial Statements

**Music Hall Center for the Performing Arts, Inc.**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue:</b>			
Performances	\$ 3,205,638	\$ 0	\$ 3,205,638
Concession sales	1,114,107	0	1,114,107
Other support	2,229,441	0	2,229,441
MHC Parking Revenue	420,000	0	420,000
Contributions	825,261	0	825,261
In-Kind Contributions	107,446	0	107,446
Grants	<u>71,775</u>	<u>0</u>	<u>71,775</u>
<b>Total Revenue</b>	<u>7,973,668</u>	<u>0</u>	<u>7,973,668</u>
<b>Total Support and Revenue</b>	<u>7,973,668</u>	<u>0</u>	<u>7,973,668</u>
<b>Expenses:</b>			
Operating Expenses	<u>7,784,123</u>	<u>0</u>	<u>7,784,123</u>
<b>Total Expenses</b>	<u>7,784,123</u>	<u>0</u>	<u>7,784,123</u>
<b>Change in Net Assets</b>	<u>189,545</u>	<u>0</u>	<u>189,545</u>
<b>Net Assets - Beginning of Year</b>	<u>905,384</u>	<u>0</u>	<u>905,384</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,094,929</u>	<u>\$ 0</u>	<u>\$ 1,094,929</u>

See Notes to Financial Statements

**Music Hall Center for the Performing Art  
Statement of Cash Flows  
For the Year Ended September 30, 2025**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$	189,545
Adjustments to reconcile change in Net Assets (Loss) to net Cash provided by (used in) operating activities:		
Depreciation and Amortization		191,393
Decrease (Increase) in Operating Assets:		
Investments		(2,274)
Accounts Receivable		68,674
Inventory		51,490
Prepaid Expenses		1,406
Other Assets		(189,100)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable		131,126
Deferred Revenue		49,869
Accrued Expenses		(164,201)
Total Adjustments		<u>138,383</u>
<b>Net Cash Provided By Operating Activities</b>		<b>327,928</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Addition & Disposals of Fixed Assets		<u>(1,385,132)</u>
<b>Net Cash Used By Investing Activities</b>		<b>(1,385,132)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Lease Liability Payments		(4,013)
Borrowing (repayment) of long-term debt		<u>1,098,454</u>
<b>Net Cash Provided By Financing Activities</b>		<b><u>1,094,441</u></b>

**NET DECREASE IN CASH AND CASH EQUIVALENTS** 37,237

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 150,014

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 187,251

**SUPPLEMENTAL DATA**

Interest Paid	\$	<u>453,294</u>
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**Music Hall Center for the Performing Art  
Statement of Operating Expenses  
September 30, 2025**

**Other Expenses:**

House Staff Wages	\$	100,133
Temp Hall Bartender/Café Wages		55,204
Stagehand Wages		322,817
Wardrobe Wages		8,332
FICA Show Staff		36,316
MESC Show Staff		4,219
Stagehands Pension		36,500
Stagehands Health Benefits		58,440
Show Equipment Rental		192,725
Bar Concessions		680,240
Artist Merchandise Cost		101
Promoters		1,604,774
Artists Fees		1,008,780
Artist Travel & Hospitality		65,917
Show Advertising		13,805
Show Services		191,036
Advertising		163,665
Legal & Audit		29,075
Dues & Subscriptions		9,027
Taxes & Licenses		9,485
Postage		1,002
Parking		27,325
Printing & Photocopying		3,969
Bank Charges		60,318
Board of Trustees		4,356
Permanent Staff Wages		1,209,883
FICA		84,981
401k Match		44,898
Health Insurance		163,863
MESC Permanent Staff		8,337
Worker's Compensation		9,096
Employee Relations		721
Purchased Services		145,745
Building Repairs & Maintenance		114,902
Janitorial		22,769
Equipment Rental		9,057
Utilities		268,836
Telephone		20,590
Office Supplies		15,199
Computer Maintenance & Repairs		22,471
Depreciation		191,393

See Notes to Financial Statements

**Music Hall Center for the Performing Art**  
**Statement of Operating Expenses**  
**September 30, 2025**

Meals & Entertainment	298
Hospitality	26,323
Business Insurance	135,389
Interest	588,303
Miscellaeous	15,372
Unrealized (Gain)/Loss	<u>(1,864)</u>
 <b>Total Other Expenses</b>	 <u><b>7,784,123</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, 2025, 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, 2025.

Accounts Receivables – Trade	\$ 225,766
Less Allowance for Bad Debt	(4,500)
Total	\$ <u>221,266</u>

Prepaid Expenses & Other Current Assets

Prepaid Expense Insurance	42,134
Prepaid Expense – Show Expenses	69,045
Prepaid Expenses – Taxes & Licenses	19,497
Total	<u>\$130,676</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 depreciation them over their estimated useful lives.

Office and stage equipment 5 - 20 years

Depreciation for the fiscal year ended September 30, 2025 is \$191,393.

Land	\$ 4,618,000
Building Improvements	1,646,286
Bar Equipment	188,166
Office Equipment	959,066
Stage Equipment	128,535
Building Renovations	19,666
Amphitheater	<u>117,040</u>
Total Depreciable Assets	\$ 7,676,759
Accumulated Depreciation	\$ <u>(1,610,598)</u>
Net Assets	\$ 6,066,161

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

Expansion Project in Process	6,655,175
Selma Lounge Project in Process	50,640
Total Construction in Process	\$ 6,285,815

Total \$ 12,351,976

Right – Of- Use Assets	\$ 8,374,625
Accumulated Amortization	(451,158)
Total	\$ 7,923,467

Inventory

Inventory consists of items for concession and novelty sales. Inventory is recorded at the lower of cost or market. Inventory is recorded as \$64,766 as of September 30, 2025

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 \$113,604. 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 \$8,317,199 in its statement of financial position as of September 30, 2025. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended September 30, 2025.

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

2026	\$	4,219
2027		4,435
2028		4,661

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

2029	4,900
2030	5,150
Thereafter	8,294,178
	<u>\$ 8,317,543</u>

**Note B –Accrued Expenses**

Accrued expenses amount to \$441,948 as of September 30, 2025.

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

Accrued Expenses – Other	\$	202,727
Accrued Payroll		<u>239,221</u>
Total	\$	441,948

**Note C - Deferred Revenue**

Deposits Theatre Rental	\$	46,480
Advance Tickets Sales		629,600
Show Expense Advance		271,306
Advance Gift Certificate Sales		<u>2,091</u>
Total	\$	949,477

**Note D - Note Payable - Current**

SBA Loan Note	\$	13,504
Parting Lot Note – Interest		385,333
Project Initiation Loan		313,984
Building Note – Music Hall, LLC		<u>540,265</u>
(No agreement (zero) Interest		
Total	\$	1,253,086

# Music Hall Center for the Performing Arts, Inc.

## NOTES TO FINANCIAL STATEMENTS

### 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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Maturities	\$ -	\$ -	\$ -	\$ -
Equities	15,969	-	-	-
Mutual Funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Investment at Fair Value	\$ 15,969	\$ -	\$ -	\$ -

### 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

\$ 471,665

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

800,000

Loan From Officer  
(No agreement)

617,000

Total \$ 5,988,665

**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 \$198,103 is owed as of September 30, 2025.

**Note I – Uncertain Tax Position**

The Organization receives income from advertising and leasing an outdoor sign. The total amount recognized was \$113,604 as of September 30, 2025. This revenue could be considered unrelated business income if the activity is a trade or business, that is regularly carried on and is not substantially related to furthering the exempt purpose of the organization. The estimated tax liability is \$23,857.

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, 2025 amounted to \$ 163,665.

**Note L– Related Party Transactions**

Amounts due to related parties are \$1,880,520 as of September 30,2025. 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	617,000
Building Note- Music Hall, LLC	<u>540,265</u>
Total	\$ 1,880,520

# 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 \$89,446..

### Note N – Other Support

Other Support amounts to \$2,229,441 as of September 30, 2025. It includes the following items:

Advertising Income	\$	113,604
Box Office Handling		5,482
Rental Income- Theatre		977,634
Preservation Ticket Fee Income		171,733
Ticket Master Royalty income		167,404
Misc. income		28,585
Sponsorship Revenue		764,999
Total	\$	<u>2,229,441</u>

### 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	\$187,251
Total	<u>\$187,251</u>
Less: those unavailable for Expenditures within One year due to Donor-imposed Restrictions	\$ 0
Financial assets available to Meet cash needs for general Expenditures within one year	<u>\$187,251</u>

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

**NOTE P – Fair Value of Investments**

The organization has recorded increases and decreases in investments. Unrealized gains amount to \$12,738. The amount is included in the Statement of Operating Expenses.

**Note Q - Subsequent Events**

In November 2025 the Jazz Café will receive a grant from the State of Michigan to begin producing a series of weekly of television concerts. In February 2026 the organization produced the first opera in over 30 years. In June 2026 the organization is position to close on a \$166,000,000 dollar bond underwriting with Barclays Capital and Seibert, Williams and Shank associated. In July 2026 the organization plans to break ground on a 100, 000 square foot expansion adjacent to the main building.

Subsequent events have been evaluated through the date these financial statements were available to be issued March 27, 2026.