

Old Town
Playhouse, Inc.



Years Ended
June 30,
2026 and 2025

Financial
Statements

Rehmann

OLD TOWN PLAYHOUSE, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

October 14, 2026

Board of Directors
Old Town Playhouse, Inc.
Traverse City, Michigan

We have reviewed the accompanying financial statements of the **Old Town Playhouse, Inc.** (the "Playhouse") which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Playhouse management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Independent Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to conform with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Playhouse and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.



Independent Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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OLD TOWN PLAYHOUSE, INC.

Statements of Financial Position

		June 30	
		2026	2025
ASSETS			
Assets			
Cash	\$	636,970	\$ 597,560
Accounts receivable		4,259	187
Grants receivable		-	10,000
Prepays expenses		50,050	50,223
Total current assets		691,279	657,970
Investments		110,474	108,167
Net property and equipment		678,457	702,729
Total assets		\$ 1,480,210	\$ 1,468,866
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$	36,650	\$ 20,824
Deferred revenue		98,527	105,833
Refundable advances		49,771	45,378
Total liabilities (all current)		184,948	172,035
Net assets			
Without donor restrictions		1,277,279	1,168,031
With donor restrictions		17,983	128,800
Total net assets		1,295,262	1,296,831
Total liabilities and net assets		\$ 1,480,210	\$ 1,468,866

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

OLD TOWN PLAYHOUSE, INC.

Statements of Activities

	Year Ended June 30, 2026			Year Ended June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains						
Contributions and grants	\$ 216,325	\$ 33,245	\$ 249,570	\$ 270,908	\$ 72,000	\$ 342,908
Admissions	500,353	-	500,353	405,547	-	405,547
Classes and workshops	189,004	-	189,004	160,293	-	160,293
Special events, net	105,260	-	105,260	75,286	-	75,286
Corporate sponsorship	41,000	-	41,000	27,156	-	27,156
Donated materials and supplies	2,450	-	2,450	3,588	-	3,588
Interest income	8,610	-	8,610	9,201	-	9,201
Concessions	20,613	-	20,613	15,642	-	15,642
Program advertising	6,787	-	6,787	8,635	-	8,635
Investment return, net	5,674	-	5,674	2,304	2,939	5,243
Other	5,673	-	5,673	13,925	-	13,925
Net assets released from restrictions	144,062	(144,062)	-	-	-	-
Total revenue, support, and gains	1,245,811	(110,817)	1,134,994	992,485	74,939	1,067,424
Expenses						
Program services	955,740	-	955,740	911,585	-	911,585
Supporting services						
General and administrative	97,819	-	97,819	109,074	-	109,074
Fundraising	83,004	-	83,004	65,147	-	65,147
Total expenses	1,136,563	-	1,136,563	1,085,806	-	1,085,806
Change in net assets	109,248	(110,817)	(1,569)	(93,321)	74,939	(18,382)
Net assets, beginning of year	1,168,031	128,800	1,296,831	1,261,352	53,861	1,315,213
Net assets, end of year	\$ 1,277,279	\$ 17,983	\$ 1,295,262	\$ 1,168,031	\$ 128,800	\$ 1,296,831

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

OLD TOWN PLAYHOUSE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2026

	Program Services	Supporting Services			
	Production, Classes and Workshops	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries and fringe benefits					
Salaries and wages	\$ 433,452	\$ 17,107	\$ 32,077	\$ 49,184	\$ 482,636
Benefits	45,897	1,444	110	1,554	47,451
Payroll taxes	33,159	1,308	2,454	3,762	36,921
Total salaries and fringe benefits	512,508	19,859	34,641	54,500	567,008
Production costs	141,332	-	32,773	32,773	174,105
Depreciation	75,411	13,308	-	13,308	88,719
Supplies	37,462	2,938	36,898	39,836	77,298
Marketing	39,878	-	41	41	39,919
Facility and maintenance	30,666	5,396	-	5,396	36,062
Donated materials and supplies	1,993	257	27,263	27,520	29,513
Fees and service charges	395	24,679	2,074	26,753	27,148
Rent, parking and other occupancy	22,340	-	3,825	3,825	26,165
Professional fees	-	15,923	6,400	22,323	22,323
Utilities	17,059	3,010	-	3,010	20,069
Cloud hosting for ticketing system	16,130	2,847	-	2,847	18,977
Subsidizing	18,000	-	-	-	18,000
Insurance	11,636	3,215	-	3,215	14,851
Independent contractors	4,375	-	8,415	8,415	12,790
Printing and copying	7,062	127	1,174	1,301	8,363
Telephone and internet	4,320	1,128	-	1,128	5,448
Membership dues	3,414	1,343	520	1,863	5,277
Scholarship	5,165	-	-	-	5,165
Annual report costs	146	-	4,112	4,112	4,258
Travel	2,065	1,427	-	1,427	3,492
Postage and shipping	1,606	959	454	1,413	3,019
Staff development	1,256	1,308	200	1,508	2,764
Sales tax	315	-	438	438	753
Website design	536	95	-	95	631
Credit losses	400	-	-	-	400
Vehicle	255	-	-	-	255
Other	15	-	-	-	15
Total expenses	955,740	97,819	159,228	257,047	1,212,787
Less special event expenses included with revenue, support and gains on the statement of activities	-	-	(76,224)	(76,224)	(76,224)
Total expenses included in the expenses section of the statement of activities	\$ 955,740	\$ 97,819	\$ 83,004	\$ 180,823	\$ 1,136,563

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

OLD TOWN PLAYHOUSE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2025

	Program Services	Supporting Services			
	Production, Classes and Workshops	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries and fringe benefits					
Salaries and wages	\$ 405,441	\$ 24,225	\$ 34,500	\$ 58,725	\$ 464,166
Benefits	42,533	1,188	37	1,225	43,758
Payroll taxes	31,169	1,638	2,639	4,277	35,446
Total salaries and fringe benefits	479,143	27,051	37,176	64,227	543,370
Production costs	115,135	-	5,816	5,816	120,951
Depreciation	81,565	13,804	-	13,804	95,369
Supplies	48,142	3,424	41,649	45,073	93,215
Facility and maintenance	35,622	6,111	3,007	9,118	44,740
Marketing	44,021	-	-	-	44,021
Independent contractors	18,518	-	7,640	7,640	26,158
Fees and service charges	1,033	21,884	2,996	24,880	25,913
Rent, parking and other occupancy	18,215	-	5,570	5,570	23,785
Donated materials and supplies	2,776	812	19,845	20,657	23,433
Utilities	16,215	2,858	-	2,858	19,073
Professional fees	-	18,800	-	18,800	18,800
Subsidizing	14,722	-	-	-	14,722
Insurance	10,621	2,878	-	2,878	13,499
Printing and copying	9,530	132	1,317	1,449	10,979
Cloud hosting for ticketing system	5,602	695	-	695	6,297
Membership dues	2,517	1,052	2,545	3,597	6,114
Credit losses	163	5,684	-	5,684	5,847
Annual report costs	-	-	5,502	5,502	5,502
Telephone and internet	4,349	768	-	768	5,117
Website design	2,477	415	-	415	2,892
Other	53	2,680	-	2,680	2,733
Postage and shipping	786	11	260	271	1,057
Staff development	-	15	549	564	564
Sales tax	-	-	387	387	387
Vehicle	380	-	-	-	380
Total expenses	911,585	109,074	134,259	243,333	1,154,918
Less special event expenses included with revenue, support and gains on the statement of activities	-	-	(69,112)	(69,112)	(69,112)
Total expenses included in the expenses section of the statement of activities	\$ 911,585	\$ 109,074	\$ 65,147	\$ 174,221	\$ 1,085,806

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

OLD TOWN PLAYHOUSE, INC.

Statements of Cash Flows

	Year Ended June 30	
	2026	2025
Cash flows from operating activities		
Cash received from admissions, classes and workshops	\$ 687,979	\$ 604,227
Cash received from contributions and grants	237,318	272,267
Cash received from special events	154,421	124,553
Interest income and dividends received	11,977	13,612
Other cash receipts	74,073	65,359
Cash paid to employees	(567,008)	(543,370)
Cash paid to vendors and suppliers	(511,548)	(471,496)
Net change in cash from operating activities	87,212	65,152
Cash flows from investing activities		
Purchase of investments	-	(19,500)
Proceeds from sale of investments	-	11,622
Purchases of property and equipment	(64,447)	(28,305)
Net change in cash from investing activities	(64,447)	(36,183)
Cash flows from financing activities		
Capital contributions	16,645	70,000
Net change in cash	39,410	98,969
Cash, beginning of year	597,560	498,591
Cash, end of year	\$ 636,970	\$ 597,560

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

1. NATURE OF ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Old Town Playhouse, Inc. (the "Playhouse") is a Michigan not-for-profit organization established to receive and administer funds for the organization, construction, and maintenance of theatrical production. The mission of the Playhouse is to assist, encourage, promote and improve the cultural and literary development of the community by providing a means through which individuals in the Grand Traverse area may participate and obtain instruction in all aspects of the dramatic arts. The Playhouse's operations are impacted by several factors including changes in relationships with significant donors and general economic conditions. Primary support and revenue for the Playhouse consists of contributions and admission fees.

Basis of Presentation

Net assets, revenues, support, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions:* Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions or donor-imposed restrictions that have expired. The Board of Directors (the "Board") has designated net assets without donor restrictions for specific purposes. See Note 8.
- *Net Assets With Donor Restrictions:* Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported as net assets released from restrictions. See Note 7.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual amounts could differ from those estimates.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Contributions and Grants

Contributions and grants, including unconditional promises to give in the future, are reported as support without donor restrictions when received unless use of the related assets is limited by donor-imposed restrictions. Unconditional promises to give in the future are recorded at the present value of estimated future cash flows using a risk-adjusted discount rate. When donor restrictions expire in the same reporting period as the donations are received, the donations are reported as without donor restrictions.

Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until they become unconditional, that is when the conditions on which they depend have been met. A portion of the Playhouse's support is derived from conditional grants, which are recognized when the Playhouse has incurred the qualifying expenditures and met certain other performance requirements, as applicable. Amounts received in excess of expenses or asset acquisitions are reflected as refundable advances on conditional contributions. Refundable advances related to these conditional contributions totaled \$49,771 and \$45,378 at June 30, 2026 and 2025, respectively. Amounts questioned as a result of audits, if any, may result in refunds to the supporting agencies. Management does not believe any liability for reimbursements, which may arise as the result of these audits, would be material. As of June 30, 2026, there were no additional conditional grants for which advances had not yet been made.

Cash

Cash consists of demand deposits in banks, cash on hand, and deposits maintained in a money market deposit account, which is a deposit account offered by a financial institution and is available on demand. The Playhouse maintains its cash in bank deposit accounts at various financial institutions, which, at times, may exceed the federally insured limits. Management does not believe the Playhouse is exposed to any significant interest rate or other financial risks as a result of these deposits.

Investments

Investments are stated at fair value based upon quoted market prices. Investment transactions are accounted for on the trade date (date the order to buy or sell is executed). Gifts of securities are recorded at their fair value based on quoted price of stock transactions at the date of the gift. Any gains or losses on the sale of a security is determined using the cost basis of the security sold. Income from investments, including realized and unrealized gains and losses, are allocated among net assets with donor restrictions and without donor restrictions based on donor restrictions or the absence thereof. Investment return is presented net of external investment expenses.

The Playhouse invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and activities.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 4 to the financial statements.

Revenue from Contracts with Customers

The Playhouse satisfies its performance obligation for performances (admission) at the point in time the services are provided to the patron. Control transfers when these services are rendered to the patron, which is at the time of the performance. Deferred revenue is recorded for the portion of advanced admission sales for the following year's performance season received in the current year.

The Playhouse recognizes revenue from classes and workshops during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the classes and workshops. Payment for classes is required at the start of the class or workshop. All amounts received prior to the commencement of the class or workshop are deferred to the applicable period. In addition, refunds issued reduce the amount of revenue recognized and historically has been insignificant.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Deferred Revenue

Deferred revenue consists of the following at:

	June 30, 2026	June 30, 2025	July 1, 2024
Classes and workshops	\$ 85,455	\$ 83,228	\$ 65,531
Tickets	7,991	13,105	8,184
Other	5,081	9,500	750
Total deferred revenue	\$ 98,527	\$ 105,833	\$ 74,465

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management estimates an allowance for expected credit losses based on the amount it expects to collect from customers, based on the length of time the receivables have been outstanding, historical collection experience, and current market conditions. In 2026, the Playhouse elected the practical expedient that allows private organizations to assume the conditions as of the statement of financial position date do not change for the remaining life of the receivable. Amounts that are deemed to be uncollectible are written off against the allowance for credit losses. At June 30, 2026 and 2025, the allowance related to these receivables was not significant.

Accounts receivable were as follows for the years ended June 30:

	2026	2025
Accounts receivable, beginning of the year	\$ 187	\$ 17,206
Accounts receivable, end of the year	\$ 4,259	\$ 187

Special Events

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Playhouse recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Playhouse recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Property and Equipment and Depreciation

Property and equipment is stated at cost. Donated property and equipment is recorded at fair value at the date of donation. Donations are reported as support without donor restriction unless the donor has restricted the use of the donated asset to a specific purpose. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable.

Depreciation is computed using the straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years.

Leases

The Playhouse will frequently lease storage space which is used in operations. The leases generally have initial terms of less than one year and may include renewal or early-termination options. The Playhouse is typically required to make fixed minimum rent payments, variable rent payments, or a combination thereof, relating to its right to use an underlying leased asset.

The Playhouse's lease arrangements are short-term leases and are not recognized on the statements of financial position as of June 30, 2026 and 2025. Net lease costs during fiscal 2026 and 2025 consists of short-term lease cost and are considered insignificant.

Subsequent to June 30, 2026, the Playhouse entered into an agreement to occupy space at the Grand Traverse Mall in Traverse City, Michigan. The agreement begins on September 1, 2026, and ends on August 31, 2029. Under the agreement, the Playhouse will pay a monthly fee of \$1,000, which increases by 5% each year. The Playhouse is also responsible for certain utility costs.

The Playhouse expects to pay approximately \$37,830 in total fees over the term of the agreement. Because the agreement begins after June 30, 2026, no related asset, liability, or expense has been recorded in the accompanying financial statements as of that date.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Donated Materials and Supplies and Contributed Services

Donations of materials and supplies are used in production program services and are recorded as support at the fair value at the date of donation based on current market rates of similar items (U.S. wholesale prices of identical or similar products). Such donations are reported as without donor restriction support unless the donor has restricted the donated goods to a specific purpose. A number of unpaid volunteers have made significant contributions of their time in the Playhouse's performances and other activities. The value of this contributed time is not reflected in these statements, since it is not for specialized services that would otherwise need to be paid. Additionally, volunteers contribute significant amounts of time to production services and, to a lesser extent, fundraising events; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Volunteer hours were approximately 37,514 and 25,311 respectively for each of the years ended June 30, 2026 and 2025. Management provides tickets for certain shows to volunteers, of which 1,714 and 1,184 were distributed in 2026 and 2025 respectively.

Income Taxes

The Playhouse is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Playhouse was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." The Playhouse has been classified as not a private foundation.

The Playhouse considers whether it has engaged in activities that jeopardize its current tax-exempt status with the Internal Revenue Service. Furthermore, the Playhouse determines whether it has any unrelated business income, which may be subject to federal and state income taxes.

Management has evaluated the Organization's income tax filings positions as of June 30, 2026 and 2025, and has concluded that there are no significant uncertain tax positions requiring recognition in the Organization's financial statements. The Playhouse concluded that there are no significant uncertain tax positions requiring recognition in the Playhouse's financial statements. The Playhouse does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Playhouse does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2026 or 2025, and it is not aware of any claims for such amounts by federal or state income tax authorities.

Marketing

The costs of marketing, including advertising and promotion, are expensed as they are incurred. Marketing costs were \$39,919 and \$44,021 for the years ended June 30, 2026 and 2025, respectively.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are generally allocated between program services and supporting services based on specific identification, space utilized or time and effort for salaries and wages, whichever is more appropriate. Although the methods of allocation used are considered reasonable, other methods could be used and produce different amounts.

Reclassification

Certain amounts as reported in the 2025 financial statements have been reclassified to conform with the 2026 presentation.

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to the most recent statement of financial position presented herein, through the date these financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	2026	2025
Financial assets		
Cash	\$ 636,970	\$ 597,560
Accounts receivable	4,259	187
Grants receivable	-	10,000
Investments	110,474	108,167
Subtotal	751,703	715,914
Less amounts unavailable for general expenditures within one year due to		
Net assets with donor restrictions	(17,983)	(128,800)
Net assets with board designations	(119,859)	(55,385)
Subtotal	(137,842)	(184,185)
Total financial assets available for general use within one year	\$ 613,861	\$ 531,729

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

As part of the Playhouse's liquidity management plan, the Playhouse maintains cash in bank deposit accounts, including a money market deposit account, to meet its operating and liquidity needs. Additionally, the Playhouse receives contributions and admissions revenue throughout the year, which is available for general expenditures.

The Playhouse's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. Although the Playhouse doesn't intend to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

3. NET PROPERTY AND EQUIPMENT

Net property and equipment consists of the following at June 30:

	2026	2025
Property and equipment		
Land	\$ 20,000	\$ 20,000
Buildings and improvements	1,515,389	1,483,154
Theatrical equipment	504,252	485,181
Office equipment	26,658	22,887
Parking lot	24,120	24,120
Vehicle	13,900	13,900
Total	2,104,319	2,049,242
Less accumulated depreciation	(1,425,862)	(1,346,513)
Net property and equipment	\$ 678,457	\$ 702,729

Depreciation expense was \$88,719 and \$95,369 for 2026 and 2025, respectively.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Playhouse utilizes fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. Investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure investments recorded at fair value.

Exchange traded funds: Level 1 fair value measurement is based upon the closing price reported on the active market in which the funds are traded.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Mutual funds: Shares held in mutual funds are valued at quoted market prices that represent the net asset value ("NAV") of shares held by the Playhouse at year end and are classified as Level 1. The NAV is used as a practical expedient to estimate fair value. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding. Mutual funds held by the Playhouse are open-end mutual funds that are registered with the Securities and Exchange Commission ("SEC"). These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Playhouse are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Playhouse 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.

The following table sets forth by level, within the fair value hierarchy, the recorded amount of investments measured at fair value on a recurring basis as of June 30, 2026:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 22,534	\$ -	\$ -	\$ 22,534
Exchange traded funds	87,940	-	-	87,940
Total investments	\$ 110,474	\$ -	\$ -	\$ 110,474

The following table sets forth by level, within the fair value hierarchy, the recorded amount of investments measured at fair value on a recurring basis as of June 30, 2025:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 20,253	\$ -	\$ -	\$ 20,253
Exchange traded funds	87,914	-	-	87,914
Total investments	\$ 108,167	\$ -	\$ -	\$ 108,167

5. RELATED PARTY TRANSACTIONS

Twelve Board members donated \$21,141 and \$17,185 during fiscal years 2026 and 2025, respectively. There were no receivables from Board members as of June 30, 2026 or 2025. In addition, employees donated \$2,546 and \$8,741 in 2026 and 2025, respectively.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

6. SUBSIDIZED EXPENSES

Each of the Worthington Family Foundation grant awards allows for spending over a three-year period, and requires the funds to subsidize certain expenses. The subsidized expenses are further allocated as follows for the years ended June 30:

	2026	2025
Scholarships	\$ 8,115	\$ 6,000
Tickets	5,585	5,000
Other production expenses	4,300	3,722
Total	\$ 18,000	\$ 14,722

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	2026	2025
Subject to expenditure for specified purpose		
Sound equipment	\$ 10,783	\$ 10,000
Cultural campus updates	3,600	-
Studio show	1,600	-
Parking lot resurfacing	2,000	-
Theatre renovation	-	60,000
Facility expansion and improvements	-	58,800
Total	\$ 17,983	\$ 128,800

During the year ended June 30, 2026 net assets were released for theatre renovations and facility expansion and improvements in the amount of \$144,062.

8. BOARD-DESIGNATED NET ASSETS

The Playhouse's Board of Directors has designated portions of net assets without donor restrictions for facility expansion and future operating needs. Because these designations result from Board action rather than donor-imposed restrictions, the amounts remain classified as net assets without donor restrictions. The Board may modify or remove the designations through future Board action.

The facility expansion fund was established to support the expansion of the Playhouse's facilities. The Board's intent is to preserve and invest the designated funds for future growth and expansion. The funds may also be used for essential facility needs upon approval by a majority of the Board. If expansion or construction of a new facility is no longer considered feasible, the Board may approve use of the funds for renovation of the existing facility.

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The operating fund was established to supplement the Playhouse's operating resources. Annual withdrawals may be made up to the amount of the fund's investment earnings from the preceding year. Withdrawals exceeding the preceding year's earnings require approval by a majority of the Board. The amount originally designated for the fund is intended to remain invested and may be withdrawn only in catastrophic circumstances with majority Board approval.

Board-designated net assets consisted of the following at June 30:

	2026	2025
Board-designation		
Operational needs	\$ 57,279	\$ 55,385
Facility expansion	62,580	-
	<u>62,580</u>	<u>-</u>
Total Board-designated net assets	<u>\$ 119,859</u>	<u>\$ 55,385</u>

9. ENDOWMENT FUNDS HELD WITH GRAND TRAVERSE REGIONAL COMMUNITY FOUNDATION

Through its fundraising projects, the Playhouse encourages donors to contribute to the Old Town Playhouse Endowment Fund, maintained by the Grand Traverse Regional Community Foundation. The Playhouse is named beneficiary of all these endowment funds. The fund is a permanent fund; nevertheless, the earnings may be used to fund the Playhouse's operating activities. Summary financial information of the endowment fund is as follows:

	Endowment Corpus	Spendable Reserve	Total
Beginning net assets, July 1, 2025	\$ 474,965	\$ 71,734	\$ 546,699
Net investment return	-	62,826	62,826
Grants distributed	-	(20,650)	(20,650)
	<u>474,965</u>	<u>113,910</u>	<u>588,875</u>
Ending net assets, June 30, 2025	474,965	113,910	588,875
Net investment return	-	86,414	86,414
Grants distributed	-	(22,110)	(22,110)
	<u>-</u>	<u>(22,110)</u>	<u>(22,110)</u>
Ending net assets, June 30, 2026	<u>\$ 474,965</u>	<u>\$ 178,214</u>	<u>\$ 653,179</u>

Distributions to the Playhouse from the endowment funds are reported in the statements of activities as grants and contributions, in the amounts of \$22,110 and \$20,650 during the years ended June 30, 2026 and 2025, respectively. These assets are reported exclusively on the books of the Grand Traverse Regional Community Foundation as it is owned and directed by the Community Foundation, and has variance power over the endowment funds.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

10. SPECIAL EVENTS

The Playhouse conducts various special fundraising events throughout the year, including galas and other fundraising activities to support its programs and operations. Revenue from special events consists primarily of ticket sales, auction proceeds, and contributions received in connection with these events. A summary of special event activity is as follows for the years ended June 30:

2026	Black and White Gala	Micro Fundraiser Series	Total
Donations	\$ 57,790	\$ 16,266	\$ 74,056
Donated goods	27,063	-	27,063
Ticket and auction revenue	60,204	20,161	80,365
Less direct expenses	(65,791)	(10,433)	(76,224)
Special events, net	\$ 79,266	\$ 25,994	\$ 105,260

2025	Black and White Gala
Donations	\$ 53,625
Donated goods	19,845
Ticket and auction revenue	70,928
Less direct expenses	(69,112)
Special events, net	\$ 75,286

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