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**FAR CONSERVATORY OF THERAPEUTIC
AND PERFORMING ARTS,
DBA FAR THERAPEUTIC ARTS AND RECREATION**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

June 30, 2025

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Independent Auditors' Report

To the Board of Directors
FAR Conservatory of Therapeutic and Performing Arts,
DBA FAR Therapeutic Arts and Recreation
Birmingham, Michigan

Opinion

We have audited the accompanying financial statements of FAR Conservatory of Therapeutic and Performing Arts, DBA FAR Therapeutic Arts and Recreation (a Michigan not-for-profit corporation), which comprise the statement of financial position as of June 30, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FAR Conservatory of Therapeutic and Performing Arts, DBA FAR Therapeutic Arts and Recreation as of June 30, 2025, and the changes in 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 Opinion

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 FAR Conservatory of Therapeutic and Performing Arts, DBA FAR Therapeutic Arts and Recreation 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 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 FAR Conservatory of Therapeutic and Performing Arts, DBA FAR Therapeutic Arts and Recreation'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.
- 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 FAR Conservatory of Therapeutic and Performing Arts, DBA FAR Therapeutic Arts and Recreation'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 FAR Conservatory of Therapeutic and Performing Arts, DBA FAR Therapeutic Arts and Recreation'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.

Report on Summarized Comparative Information

We have previously audited the FAR Conservatory of Therapeutic and Performing Arts, DBA FAR Therapeutic Arts and Recreation, June 30, 2024 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 2, 2025. In our opinion, the summarized information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Davison & Associates

Troy, Michigan
November 13, 2025

FAR CONSERVATORY OF THERAPEUTIC AND PERFORMING ARTS,
DBA FAR THERAPEUTIC ARTS AND RECREATION

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Notes B3 and P)	\$ 1,110,801	\$ 851,720
Accounts receivable		
Trade (Notes B4 and P)	83,661	47,299
Contributions and grants (Notes B5, D and P)	47,825	81,595
Investments (Notes B6, E and G)	1,175,628	1,079,902
Prepaid expenses	<u>23,258</u>	<u>21,519</u>
Total current assets	2,441,173	2,082,035
PROPERTY AND EQUIPMENT (Note B7)		
Office furniture and equipment	45,825	39,629
Leasehold improvements	<u>33,858</u>	<u>33,858</u>
	79,683	73,487
Less: accumulated depreciation and amortization	<u>(40,727)</u>	<u>(44,133)</u>
Property and equipment, net	38,956	29,354
GRANTS RECEIVABLE, less current portion (Notes B5 and D)	20,000	67,825
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Notes F and G)	<u>31,846</u>	<u>30,080</u>
TOTAL ASSETS	<u>\$ 2,531,975</u>	<u>\$ 2,209,294</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,319	4,755
Accrued payroll liabilities	36,495	37,776
Deferred revenue (Notes B10 and H)	<u>64,495</u>	<u>79,134</u>
Total current liabilities	106,309	121,665
NET ASSETS (Notes B9 and I)		
Without donor restrictions	2,192,334	1,843,199
With donor restrictions	<u>233,332</u>	<u>244,430</u>
Total net assets	<u>2,425,666</u>	<u>2,087,629</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,531,975</u>	<u>\$ 2,209,294</u>

The accompanying notes are an integral part of these statements.

FAR CONSERVATORY OF THERAPEUTIC AND PERFORMING ARTS,
DBA FAR THERAPEUTIC ARTS AND RECREATION

STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2025
With Summarized Financial Information for the Year Ended June 30, 2024

	Without Donor Restriction	With Donor Restriction	2025 Total	(Note Q) 2024 Total
REVENUES AND SUPPORT				
Program fees	\$ 1,102,755	\$ -	\$ 1,102,755	\$ 1,042,709
Administrative fees	6,300	-	6,300	5,750
Fundraising events revenue	335,428	1,320	336,748	395,912
Less: direct expenses	<u>(83,634)</u>	<u>-</u>	<u>(83,634)</u>	<u>(80,953)</u>
Net fundraising events revenue	251,794	1,320	253,114	314,959
Contributions				
Grants	7,630	147,281	154,911	260,423
Other	73,667	-	73,667	49,273
In-Kind	40,565	-	40,565	48,282
Change in beneficial interest in assets held by others	-	1,766	1,766	2,127
Investment income, net	111,297	-	111,297	89,149
Loss on disposal of office equipment	(4,918)		(4,918)	-
Net assets released from program restrictions	<u>161,465</u>	<u>(161,465)</u>	<u>-</u>	<u>-</u>
Total revenues and support	1,750,555	(11,098)	1,739,457	1,812,672
EXPENSES				
Program services	1,091,435	-	1,091,435	1,038,513
Supporting services				
Management and general	192,610	-	192,610	186,611
Fundraising, indirect	<u>117,375</u>	<u>-</u>	<u>117,375</u>	<u>100,794</u>
Total expenses	<u>1,401,420</u>	<u>-</u>	<u>1,401,420</u>	<u>1,325,918</u>
CHANGE IN NET ASSETS	349,135	(11,098)	338,037	486,754
NET ASSETS, beginning of year	<u>1,843,199</u>	<u>244,430</u>	<u>2,087,629</u>	<u>1,600,875</u>
NET ASSETS, end of year	<u>\$ 2,192,334</u>	<u>\$ 233,332</u>	<u>\$ 2,425,666</u>	<u>\$ 2,087,629</u>

The accompanying notes are an integral part of these statements.

FAR CONSERVATORY OF THERAPEUTIC AND PERFORMING ARTS,
DBA FAR THERAPEUTIC ARTS AND RECREATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2025

With Summarized Financial Information for the Year Ended June 30, 2024

		Supporting Services				
	Program	Management	Fundraising,	Fundraising,	2025	(Note Q)
	Services	and General	Indirect	Direct	Total	2024 Total
Salaries and employee benefits	\$ 886,757	\$ 133,096	\$ 107,438	\$ 17,884	\$ 1,145,175	\$ 1,079,966
Computer software and support	6,005	4,803	1,201	-	12,009	8,092
Conferences and meetings	3,047	6,185	-	189	9,421	11,621
Credit card processing fees	-	7,429	-	-	7,429	7,439
Depreciation and amortization	3,801	3,041	760	-	7,602	6,566
Facilities rental and catering	-	-	-	3,171	3,171	31,567
In-kind rent	29,700	9,900	-	-	39,600	39,600
Insurance	6,835	4,663	2,402	-	13,900	12,342
Office expenses	6,884	5,509	1,377	4,443	18,213	23,055
Professional fees	-	12,800	-	-	12,800	12,315
Public relations and marketing	1,926	1,100	2,476	-	5,502	9,783
Scholarships	103,427	-	-	-	103,427	86,284
Staff development	-	3,053	-	-	3,053	472
Supplies	38,925	-	-	57,947	96,872	71,825
Telephone	3,302	824	1,376	-	5,502	4,383
Travel	826	207	345	-	1,378	1,561
Total expenses by function	1,091,435	192,610	117,375	83,634	1,485,054	1,406,871
Less: expenses included with revenues on the statement of activities	-	-	-	(83,634)	(83,634)	(80,953)
Total expenses included in the expense section of the statement of activities	<u>\$ 1,091,435</u>	<u>\$ 192,610</u>	<u>\$ 117,375</u>	<u>\$ -</u>	<u>\$ 1,401,420</u>	<u>\$ 1,325,918</u>

The accompanying notes are an integral part of these statements.

FAR CONSERVATORY OF THERAPEUTIC AND PERFORMING ARTS,
DBA FAR THERAPEUTIC ARTS AND RECREATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30,

	<u>2025</u>	<u>2024</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 338,037	\$ 486,754
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	7,602	6,566
Net realized gain on investments	(63,763)	(41,453)
Change in beneficial interest in asset held by others	(1,766)	(2,127)
Loss on disposal of office equipment	4,918	-
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(36,362)	51,233
Decrease (increase) in grants receivable	81,595	(69,124)
(Increase) decrease in prepaid expenses	(1,739)	998
Increase (decrease) in accounts payable	564	(1,918)
Decrease in accrued liabilities	(1,281)	(702)
Decrease in deferred revenue	<u>(14,639)</u>	<u>(8,110)</u>
Net cash provided by operating activities	313,166	422,117
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	460,447	-
Purchases of investments	(492,410)	(38,216)
Purchases of office equipment	<u>(22,122)</u>	<u>-</u>
Net cash used in investing activities	<u>(54,085)</u>	<u>(38,216)</u>
Increase in cash and cash equivalents	259,081	383,901
CASH AND CASH EQUIVALENTS, beginning of year	<u>851,720</u>	<u>467,819</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,110,801</u>	<u>\$ 851,720</u>

The accompanying notes are an integral part of these statements.

FAR CONSERVATORY OF THERAPEUTIC AND PERFORMING ARTS,
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

With Summarized Financial Information as of June 30, 2024

Note A – REPORTING ENTITY

FAR Conservatory of Therapeutic and Performing Arts, DBA FAR Therapeutic Arts and Recreation (the Organization) is a Michigan not-for-profit corporation located in Birmingham, Michigan enriching the lives of individuals with disabilities, regardless of age, through the power of creative arts and recreational therapies.

Note B – SUMMARY OF ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently in the preparation of the accompanying financial statements follows:

1. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less, with the exception of cash and investment instruments maintained within the investment portfolio, to be cash equivalents.

4. Trade Receivables

Receivables from contracts for program services are reported as accounts receivable - trade. Trade receivables are recorded at their fair value at the date services are rendered or program events occur. The Organization considers these receivables to be past due if outstanding over 90 days but does not charge interest on trade receivable accounts. Management believes that all outstanding trade receivables are collectible in full. Therefore, an allowance for doubtful accounts is not required.

FAR CONSERVATORY OF THERAPEUTIC AND PERFORMING ARTS,
DBA FAR THERAPEUTIC ARTS AND RECREATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

With Summarized Financial Information as of June 30, 2024

Note B – SUMMARY OF ACCOUNTING POLICIES (Continued)

5. Contributions and Grants Receivable

Contributions and grants receivable consist of unconditional promises to give. Unconditional promises to give are recorded as revenue when a promise is made. If the donor has placed restrictions on the use of funds, a corresponding portion of net assets are classified as with donor restrictions until such time as the specified restrictions are fulfilled.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received if material. Management believes that all outstanding contributions and grants receivable are collectible in full. Therefore, an allowance for doubtful accounts is not required.

6. Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statements of financial position. Net investment income is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

7. Property and Equipment

Purchased property and equipment are stated at cost. The Organization's policy is to capitalize purchased property and equipment exceeding \$500. Depreciation and amortization are provided for in amounts sufficient to relate the cost or fair value of depreciable and amortizable assets to operations over their estimated useful lives (ranging from five to twenty-seven and one-half years) utilizing the straight-line method.

8. Right-of-Use Leases

Leased equipment with a term of more than one year is stated at net present value as right-of-use assets and related lease liabilities as of the commencement date of the lease. Net present value is determined using a stated interest rate or incremental borrowing rate. Amortization of right-of-use assets is provided for over the life of the lease utilizing the straight-line method. For the years ended June 30, 2025 and 2024, there were no right of use leases.

FAR CONSERVATORY OF THERAPEUTIC AND PERFORMING ARTS,
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

With Summarized Financial Information as of June 30, 2024

Note B – SUMMARY OF ACCOUNTING POLICIES (Continued)

9. Net Assets

Net assets, revenues, 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 Restriction – Net assets available for use in general operations and not subject to donor (or grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

10. Revenue Recognition

Program activities and fundraising events are conducted in southeastern Michigan. Program activities consist primarily of therapeutic services provided through contracts with local community school districts as well as for private individual and group sessions. Program revenues are earned and recognized over time throughout each semester upon delivery of the services. Fundraising event revenue is recognized at a point in time when the event occurs. Fees are typically collected in advance of the date of the service or event, and participants are entitled to refunds until the services or events occur. Fees collected in advance, known as contract liabilities, are reported as deferred revenue in the statements of financial position until the period revenues are earned and recognized.

Contributions are recorded as revenue in the period when cash or an unconditional promise to give is received. Conditional grants or promises to give, that is, those with a measurable performance or other barrier, and a right of return, are recorded as deferred revenue in the statements of financial position and are not recognized until the conditions on which they depend have been substantially met. All contributions and unconditional promises to give are reported as increases in net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for a specific purpose are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction.

11. Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; 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. Contributed goods are recorded at fair value at the date of donation.

FAR CONSERVATORY OF THERAPEUTIC AND PERFORMING ARTS,
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

With Summarized Financial Information as of June 30, 2024

Note B – SUMMARY OF ACCOUNTING POLICIES (Continued)

12. Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services using appropriate bases.

13. Income Taxes

The Organization is recognized by the Internal Revenue Service as exempt from federal income taxes under IRC section 501(c)(3). It is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS and could be subject to income tax on net income derived from business activity that is unrelated to its exempt purpose. Management has determined that the Organization is not subject to unrelated business income tax. Accordingly, no provision for income tax is required.

Note C – LIQUIDITY AND AVAILABILITY

The Organization conducts various programs and fundraising events to meet cash needs for general operating expenditures. These funds are also supplemented by contributions and grants which may have donor restrictions that require resources to be used in a particular manner or in a future period. Thus, certain financial assets may not be available for general expenditure within one year. The Organization's policy is to maintain a six-month cash reserve for operating expenses.

The following table reflects the Organization's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

	<u>2025</u>	<u>2024</u>
Cash	\$ 1,110,801	\$ 851,720
Accounts receivable - trade	83,661	47,299
Contributions and grants receivable	67,825	149,420
Investments	<u>1,175,628</u>	<u>1,079,902</u>
	2,437,915	2,128,341
Less: funds unavailable due to donor restrictions	<u>(233,332)</u>	<u>(244,430)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,204,583</u>	<u>\$1,883,911</u>

FAR CONSERVATORY OF THERAPEUTIC AND PERFORMING ARTS,
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

With Summarized Financial Information as of June 30, 2024

Note D – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following unconditional promises to give at June 30:

	<u>2025</u>	<u>2024</u>
Amounts due in:		
Less than one year	\$ 47,825	\$81,595
One to five years	<u>20,000</u>	<u>67,825</u>
Total	<u>\$67,825</u>	<u>\$149,420</u>

Note E – INVESTMENTS

Investment objectives and policies are established by the Organization's Board of Directors and are implemented by external investment managers selected and monitored by the board. Investments are stated at fair value on a recurring basis using quoted prices in active markets for identical assets (Level 1). There are no restrictions or designations on investments at June 30, 2025 and 2024.

Note F – BENEFICIAL INTEREST IN ASSET HELD BY OTHERS

The Organization established an endowment fund with the Community Foundation of Southeastern Michigan (Community Foundation). This fund was created in 2006 through a reciprocal transfer of assets with donor restrictions and assets without donor restrictions directly from the Organization to the Community Foundation in a manner consistent with the standard of prudence prescribed by the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Community Foundation holds and manages these funds and makes grants to the Organization based on income earned. The Community Foundation maintains variance power, which gives the Community Foundation the right to distribute the investment income to another not-for-profit organization of its choice if the Organization ceases to exist or the governing board of the Community Foundation votes that support of the Organization is no longer necessary or is inconsistent with the needs of the people the Organization serves. The beneficial interest in this fund is reported at its fair value, which is estimated as the fair value of the underlying assets, as determined by the Community Foundation (Note G).

This beneficial interest represents the Organization's only endowment fund. The donor restrictions require that the donated funds provide a perpetual source of support, thereby classifying them as a donor-restricted endowment. Should the fair value of assets fall below the level established by the donor-restricted endowment, the deficiency will be reported in net assets without donor restrictions. As the Community Foundation has variance power over these funds, the Organization has no authority regarding fund preservation, investment policy, etc.

The net assets of the donor-restricted endowment are held in perpetuity for use in supporting the general operations and programs of the Organization.

FAR CONSERVATORY OF THERAPEUTIC AND PERFORMING ARTS,
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

With Summarized Financial Information as of June 30, 2024

Note G – FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at June 30, 2025 and 2024.

Financial assets and liabilities recorded at fair value are measured by the following criteria in decreasing order of priority:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at June 30, 2025 and 2024.

Level 2 – Other quoted prices that are observable either directly or indirectly, including:

- Quoted prices for similar assets and liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in markets which are not active
- Other quoted prices that are observable for the asset or liability
- Information derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable informational input for the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Assets Measured at Fair Value on a Recurring Basis

The fair values of all Level 1 assets are based on quoted prices in active markets and were determined as follows:

Money market funds and treasury bills: Published net asset value per unit at the end of the last trading day of the fiscal year.

Equity and fixed income funds: Published net asset value per unit at the end of the last trading day of the fiscal year. Net asset value is based on the underlying securities or funds in the portfolio.

The fair value of Level 2 assets are determined as follows:

Beneficial interest in assets held by Community Foundation of Southeast Michigan (Note F).

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

With Summarized Financial Information as of June 30, 2024

Note G – FAIR VALUE MEASUREMENT (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets reported at fair value as of June 30, 2025 and 2024.

	Assets Reported at Fair Value as of June 30, 2025			Total
	Level 1	Level 2	Level 3	
Investments:				
Cash and money market funds	\$ 30,844	\$ -	\$ -	\$ 30,844
Treasury bills	98,122	-	-	98,122
Equity funds	649,090	-	-	649,090
Fixed income funds	<u>397,572</u>	<u>-</u>	<u>-</u>	<u>397,572</u>
Total investments	1,175,628	-	-	1,175,628
Beneficial interest in funds held by others	<u>-</u>	<u>31,847</u>	<u>-</u>	<u>31,847</u>
Total assets reported at fair value	<u>\$1,175,628</u>	<u>\$ 31,847</u>	<u>\$ -</u>	<u>\$1,207,475</u>
	Assets Reported at Fair Value as of June 30, 2024			Total
	Level 1	Level 2	Level 3	
Investments:				
Cash and money market funds	\$ 46,646	\$ -	\$ -	\$ 46,646
Treasury bills	493,906	-	-	493,906
Equity funds	<u>539,350</u>	<u>-</u>	<u>-</u>	<u>539,350</u>
Total investments	1,079,902	-	-	1,079,902
Beneficial interest in funds held by others	<u>-</u>	<u>30,080</u>	<u>-</u>	<u>30,080</u>
Total assets reported at fair value	<u>\$1,079,902</u>	<u>\$ 30,080</u>	<u>\$ -</u>	<u>\$1,109,982</u>

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Note H –DEFERRED REVENUE

Deferred revenue consists of contract liabilities and conditional contributions and grants for which revenues have not yet been recognized. The following table provides information about significant changes in contract liabilities and related revenue for the years ended June 30,

	<u>2025</u>	<u>2024</u>
Contract liabilities, beginning of year	\$ 19,134	\$ 35,244
Revenue recognized in the current year	(19,134)	(35,244)
Amounts received in the current year for recognition in future service periods	<u>19,495</u>	<u>19,134</u>
Contract liabilities, end of year	<u>\$ 19,495</u>	<u>\$ 19,134</u>

The remaining balance of deferred revenue of \$45,000 and \$60,000 at June 30, 2025 and 2024, respectively, are related to conditional grants and contributions.

Note I – NET ASSETS WITH DONOR RESTRICTIONS

Substantially all of the net assets with donor restrictions at June 30, 2025 and 2024, relate to funds received through donor contributions and grants for various programs. Net assets with donor restrictions are available for the following purposes as of June 30:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purposes:		
Art	\$ 5,273	\$ 13,435
Camp	21,971	5,520
Music	71,154	117,462
Recreation	3,032	-
Scholarships	83,749	49,812
Other	<u>23,083</u>	<u>33,131</u>
	208,262	219,360
Not subject to appropriation or expenditure:		
With income not restricted by donor for specific purpose use	<u>25,070</u>	<u>25,070</u>
Total net assets with donor restrictions	<u>\$233,332</u>	<u>\$244,430</u>

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Note J – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30:

	<u>2025</u>	<u>2024</u>
Art	\$ 14,963	\$ 9,863
Camp	18,546	28,586
Music	64,034	66,156
Recreation	-	3,006
Scholarships	23,903	75,594
Other	<u>40,019</u>	<u>34,705</u>
	<u>\$161,465</u>	<u>\$217,910</u>

Note K– RELATED PARTY TRANSACTIONS

All members of the Board of Directors made cash or non-cash contributions to the Organization, totaling approximately \$116,900 and \$113,400 for the years ended June 30, 2025 and 2024, respectively.

Note L – IN-KIND CONTRIBUTIONS

The Organization receives the benefit of the use of office and classroom space from two local churches. The fair value of the donated facilities is estimated at \$3,300 per month and is recorded as revenue and expense in the accompanying financial statements. In-kind rent was \$39,600 for the years ended June 30, 2025 and 2024

The Organization also receives certain donated supplies and materials which are recorded at estimated fair market value at the time the contribution is made. These amounts are recorded as revenue and expense and totaled approximately \$14,200 and \$25,600, for the years ended June 30, 2025 and 2024, respectively, and are included in fundraising events revenue and in-kind contributions in the accompanying statements of activities.

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Note M – COMMUNITY FOUNDATION GRANT

Donors make periodic contributions directly to the Community Foundation of Southeastern Michigan (Community Foundation), naming the Organization's endowment fund (the Fund) as beneficiary of earnings from those assets. As of June 30, 2025, and 2024, the Fund had assets with a fair value of \$135,617 and \$128,097, respectively. The Community Foundation holds and administers these funds and maintains variance power over these assets. The Community Foundation may make periodic grants from the Fund for use in the general operations of the Organization. Grants made by the Community Foundation to the Organization from this Fund for the years ended June 30, 2025 and 2024 were \$5,630 and \$5,678 respectively and are reported as grant revenue without donor restrictions in the statements of activities.

Note N – RETIREMENT PLAN

The Organization maintains a Savings Incentive Match Plan for Employees (SIMPLE) retirement plan. The SIMPLE plan provides for voluntary employee contributions and a matching employer contribution equal to 100% of elective deferrals up to 3% of annual employee compensation. Retirement contribution expense was \$20,277 and \$19,905 for the fiscal years ended June 30, 2025 and 2024, respectively, and is included in salaries and fringe benefits in the accompanying statements of functional expenses.

NOTE O – FUNCTIONAL EXPENSE ALLOCATIONS

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The primary expenses that are allocated include payroll and the related payroll taxes and employee benefits which are allocated based on management's estimate of individuals' time and effort; in-kind rent which is allocated based on square footage; and computer software and support, conferences and meetings, depreciation, insurance, office expenses, public relations and marketing, supplies, telephone, and travel expenses which are allocated based on management's estimated percentage of use.

Note P – CONCENTRATIONS OF RISK

The Organization maintains cash and cash equivalent balances at multiple financial institutions. Accounts at banking institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Accounts at brokerage institutions are protected against loss due to fraud or insolvency of the institution by the Securities Investor Protection Corporation up to \$500,000.

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Note P – CONCENTRATIONS OF RISK (Continued)

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management believes that the diversification of its invested assets among various asset classes should mitigate the impact of changes in any one class.

The majority of the Organization's contributions, grants, and program service revenue and receivables come from corporations, community foundations, social agencies, and individuals located in the Southeastern Michigan area. As such, the Organization's ability to generate resources via contributions, grants, and program service revenue is dependent upon the economic health of that area and throughout the State of Michigan.

The Organization provided program services through three school districts that accounted for approximately 41% and 39% of total program revenues for the years ended June 30, 2025 and 2024, respectively. These same service providers represented 24% and 10% of the accounts receivable – trade at June 30, 2025 and 2024, respectively.

Note Q – PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Note R – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after June 30, 2025, but before financial statements are issued or are available to be issued, and which may require recognition or disclosure in the financial statements. Management has evaluated such events or transactions through November 13, 2025 (the available to be issued date), and determined that such occurrences, if any, do not require recognition or disclosure in the financial statements.