PORT ANGELES WATERFRONT CENTER
(A Washington Not-for-Profit Corporation)

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With summarized comparative totals as of and for the year ended December 31, 2024)

PORT ANGELES WATERFRONT CENTER

TABLE OF CONTENTS

DECEMBER 31, 2025

Aiken & Sanders, Inc PS
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
324 South Main Street, Unit A, Montesano WA 98563-4502
Telephone (360) 533-3370 Fax (360) 532-7123
aikenandsanders@aiken-sanders.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Port Angeles Waterfront Center
Port Angeles, WA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Port Angeles Waterfront Center (the "Center") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Center as of December 31, 2025, 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 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 the Center 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 opinions.

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 the Center'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 the Center'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 the Center'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 Center's December 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Aiken & Sanders

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

June 29, 2026

FINANCIAL STATEMENTS

PORT ANGELES WATERFRONT CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025
(With summarized comparative totals as of December 31, 2024)

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 660,869	$ 839,037
Accounts receivable	69,080	221,172
Pledges receivable short-term, net	502,105	2,172,724
Inventory	26,039	29,857
Prepaid expenses	111,581	73,325
Total current assets	1,369,674	3,336,115
Noncurrent assets:		
Property and equipment, net	55,477,942	56,697,055
Investments	130,550	2,329
Pledges receivable long-term, net	204,332	326,326
Assets restricted for endowments	3,673,913	3,447,845
Total noncurrent assets	59,486,737	60,473,555
Total assets	60,856,411	63,809,670
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities:		
Accounts payable	185,565	138,806
Payroll liabilities	64,279	69,487
Unearned revenue	177,133	109,437
Lease deposit	10,000	9,996
Line of credit	3,850,000	7,950,000
Total current liabilities	4,286,977	8,277,726
Noncurrent liabilities:		
Lease deposit net of current	378,334	388,338
Total noncurrent liabilities	378,334	388,338
Total liabilities	4,665,311	8,666,064

The accompanying notes are an integral part of these financial statements.

PORT ANGELES WATERFRONT CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025
(With summarized comparative totals as of December 31, 2024)

NET ASSETS		
Without donor restrictions		
Undesignated	51,771,606	49,075,605
	51,771,606	49,075,605
With donor restrictions	4,419,494	6,068,001
Total net assets	56,191,100	55,143,606
Total liabilities and net assets	$ 60,856,411	$ 63,809,670

The accompanying notes are an integral part of these financial statements.

PORT ANGELES WATERFRONT CENTER

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2025

(With summarized comparative totals for the year ended December 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
Support and Revenue				
Public support				
Contributions	$ 1,609,332	$ -	$ 1,609,332	$ 3,720,298
Fundraising revenue	113,339	-	113,339	216,212
Grants	2,215,075	-	2,215,075	1,735,372
Ticket revenue	685,799	-	685,799	393,849
Coffee shop revenue, net	110,299	-	110,299	121,049
Rental revenue, net	388,455	-	388,455	194,172
Performance food and beverage revenue, net	51,729	-	51,729	230,510
Gallery revenue, net	34,579	-	34,579	9,847
Other revenue (Loss)	(2,613)	-	(2,613)	13,413
Interest and dividends	55	75,465	75,520	106,767
Net realized and unrealized gain (loss) on investments	257,083	335,853	592,936	268,202
Net assets released from restrictions	2,059,825	(2,059,825)	-	-
Total support and revenue	7,522,957	(1,648,507)	5,874,450	7,009,691
Expenses				
Program services	3,658,288	-	3,658,288	3,558,798
Management and general	241,066	-	241,066	232,638
Fundraising	927,602	-	927,602	968,604
Total expenses	4,826,956	-	4,826,956	4,760,040
Change in net assets	2,696,001	(1,648,507)	1,047,494	2,249,651
Net assets, beginning of year	49,075,605	6,068,001	55,143,606	52,893,955
Net assets, end of year	$ 51,771,606	$ 4,419,494	$ 56,191,100	$ 55,143,606

The accompanying notes are an integral part of these financial statements.

PORT ANGELES WATERFRONT CENTER

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
(With summarized comparative totals for the year ended December 31, 2024)

	Program Service	Management and General	Fundraising	Total 2025	Total 2024
Salaries and wages	$ 975,947	$ 118,557	$ 456,204	$ 1,550,708	$ 1,333,371
Payroll taxes	88,172	10,710	41,224	140,106	117,180
Employee benefits	65,747	7,989	30,738	104,474	77,099
Artistic programming	384,066	-	-	384,066	253,914
Production materials and supplies	28,911	-	-	28,911	22,001
Licenses and fees	6,635	806	3,102	10,543	9,586
Dues and subscriptions	6,526	793	3,051	10,370	17,925
Professional fees	46,750	5,680	21,857	74,287	193,193
Insurance	110,124	13,380	51,484	174,988	207,780
Occupancy	149,253	18,136	69,779	237,168	225,788
Travel, meeting, and events	34,625	4,207	16,189	55,021	59,759
Office expenses	32,603	3,961	15,243	51,807	39,020
Bank fees	19,989	2,429	9,345	31,763	26,525
Advertising and promotion	123,330	14,985	57,658	195,973	99,329
Property tax	2,525	-	-	2,525	2,537
Printing and postage	4,864	591	2,274	7,729	18,934
Interest expenses	319,678	38,842	149,454	507,974	807,234
Depreciation expenses	1,258,543	-	-	1,258,543	1,248,865
Total expenses 2025	$ 3,658,288	$ 241,066	$ 927,602	$ 4,826,956	
Total expenses 2024	$ 3,558,798	$ 232,638	$ 968,604		$ 4,760,040

The accompanying notes are an integral part of these financial statements.

PORT ANGELES WATERFRONT CENTER

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

(With summarized comparative totals for the year ended December 31, 2024)

	2025	2024
Cash flows from operating activities		
Change in net assets	$ 1,047,494	$ 2,249,651
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
(Gain) loss on investments	(592,936)	(268,202)
Depreciation and amortization	1,258,543	1,248,865
Lease deposit	(10,000)	(1,666)
Changes in operating assets and liabilities		
Contributions and accounts receivable	1,822,711	(1,765,376)
Inventory	3,818	(29,857)
Prepaid expenses	(38,256)	60,258
Accounts payable	46,759	(648,413)
Payroll liabilities	(5,208)	24,825
Deferred revenue	67,696	41,966
Lease deposits	121,994	121,790
Net cash provided by operating activities	3,722,615	1,033,841
Cash flows from investing activities		
Cash paid for fixed assets	(39,430)	(99,451)
Cash received from investments	412,833	2,028,288
Cash paid for investments	(174,186)	(1,931,735)
Net cash provided by/(used in) investing activities	199,217	(2,898)
Cash flows from financing activities		
Cash paid for line of credit	(4,100,000)	(1,599,655)
Net cash used in financing activities	(4,100,000)	(1,599,655)
Net change in cash and cash equivalents	(178,168)	(568,712)
Cash and cash equivalents, beginning of year	839,037	1,407,749
Cash and cash equivalents, end of year	$ 660,869	$ 839,037
Supplemental disclosures of cash flow information		
Interest paid during the year	$ 436,639	$ 768,431

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and purpose

The Port Angeles Waterfront Center (the "Center"): DBA Field Arts & Events Hall, is a non-profit corporation established for the purpose of designing, constructing, and operating a performing, fine arts, and conference center in Port Angeles, Washington.

The Center was formed in response to an estate bequest from a local resident that was restricted to purpose for the building of a performing arts and conference center. The bequest was initially gifted to the Peninsula College Foundation who, in collaboration with local arts groups, determined that a separate entity would be best suited to develop and operate the facility. The Center was incorporated on June 20, 2016 and the bequest principal was transferred to the Center in 2017. Construction was completed during 2023 and the facility opened in July of 2023. Field Hall is a state-of-the-art, multi-purpose arts and events center, gallery, theater, coffee bar, and conference center on the Port Angeles waterfront.

B. Basis of accounting

The Center's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized when earned and expenses are recognized when incurred.

C. Financial statements presentation

The Center follows accounting prescribed by the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for-Profit Entities. Under ASC 958, the Center is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

With Donor Restrictions: Net assets that result from contributions whose use by the Center is restricted by donor-imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of the Center.

Without Donor Restrictions: Net assets that are not restricted by donor stipulation.

Gifts of goods and equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Income tax

The Center is a tax exempt non-profit organization under Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(a).

F. Advertising

The Center’s policy is to expense advertising costs as they are incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

G. Functional allocation of expenses

Expenses are charged to program activities when mission related activities benefit. Administration costs include those expenses that are not directly identifiable with any specific program function but provide for the overall support and direction of the Center. Fundraising costs, including costs of special events, are incurred to persuade potential donors to make contributions to the Center. Expenses are recorded, when appropriate, to the function receiving direct benefit. When expenses benefit more than one function, an allocation is made based on relative benefits provided to each function.

H. Cash and cash equivalents

All time deposits, certificates of deposit, and short-term highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

I. Investments

The Center's investment objectives are to maximize total return and preserve capital while minimizing credit risk and avoiding excessive market risk. An investment company is currently managing the majority of the Center's investments. Investments in equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

Investments are reported in the statements as investments and as assets restricted for endowments.

J. Recognition of contribution revenue

Contributions are recognized when received or when a donor makes an unconditional promise to give to the organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the pledge is received. Long term pledges (collection expected in greater than one year) are discounted to the net present value of future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

K. Property and equipment

Purchased and constructed buildings, furniture, equipment, and improvements are stated at cost. Donated furniture, equipment, or property is recognized as revenue and capitalized at its estimated fair value on the date of receipt. The Center capitalizes assets that have a useful life greater than one year. Depreciation is computed using the straight-line method based on estimated useful lives.

NOTE 2 - CASH AND CASH EQUIVALENTS

As of December 31, 2025, and 2024, the carrying amounts of the Center's cash deposit were $660,869 and $839,037; the bank balances were $241,334 and $331,550, respectively. The difference between the bank balance and carrying amount represents outstanding checks, deposit in transit, petty cash, cash on hand, and undeposited funds. A portion of the carrying amounts represents the cash component of the Center's investment accounts.

Cash balance held in the bank balance are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000 per banking institution. As of December 31, 2025, and 2024, the Center had no uninsured balances, respectively.

NOTE 3 - FINANCING ARRANGEMENTS

The Center on November 29, 2022, signed a line of credit arrangement with First Federal Bank. The line of credit allowed for a maximum borrowing of $10,000,000, carried a stated interest rate of prime plus 1% (8.5% as of December 31, 2022), and expired on November 29, 2023. No amounts were borrowed on the line during 2022. Loan costs of $77,949 included in prepaid expense as of December 31, 2022 were amortized in 2023.

The Center on December 11, 2023, signed a renewal of the line of credit arrangement with First Federal Bank. The renewed line of credit allowed for a maximum borrowing of $10,600,000, carried a stated interest rate using the CME 1-month Term SOFR index plus 2.5% (6.803% and 6.944% as of December 31, 2025 and 2024, respectively), and expired on December 11, 2025. It was subsequently renewed in 2024 until December 11, 2025. The balance on the line was $3,850,000 and $7,950,000 as of December 31, 2025, and 2024, respectively. Interest paid of $436,639 for 2025 is included in expense.

Subsequent to year-end, on April 8, 2026, the Center paid the remaining outstanding balance of $3,850,000 in full. As a result, the Center had no outstanding balance under the credit facility as of that date.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2025, and 2024, are summarized below:

	2025	2024
Land	$ 1,766,324	$ 1,766,324
Land improvements	246,506	246,506
Buildings	54,876,600	54,871,169
Furniture, fixtures, and equipment	1,609,855	1,575,856
Less: Accumulated depreciation	(3,021,343)	(1,762,800)
Total property and equipment, net	$ 55,477,942	$ 56,697,055

Depreciation expense for the year ended December 31, 2025, and 2024, were $1,258,543 and $1,248,865, respectively.

NOTE 5 - ASSETS RESTRICTED FOR ENDOWMENT

The Center has received funds to support the operation of the facility and to help defray the costs for the use of the facility by local performing and fine arts groups. These funds have been contributed by an estate to an operations endowment established by the Center.

Use of the funds has been restricted by the donor and permit the expenditure of 5% of the net fair market value of assets held in this fund, measured as of the first day of the taxable year of the Center. The Center received additional contributions to the operations endowment in 2020 and later years and anticipates raising additional funds for the operations endowment in future years. The Center manages endowed funds and restricted and unrestricted funds to meet organization objectives.

The primary investment objectives of the Center are to provide adequate liquidity to meet the distribution needs of the Center, to foster stability and growth in asset values and net income, and to introduce a suitable balance of quality and diversification to all assets within the endowment fund.

The Center adheres to Washington State's Uniform Prudent Management of Institutional Funds Act requirements for investment management and endowment fund spending. The Center's return objective is to earn an average real rate of return of 5% as measured over a three-to-five-year market period. Distributions are determined annually in accordance with Center policy and donor restrictions, as applicable.

Changes in endowment assets for the year ended December 31, 2025, and 2024:

	2025	2024
Donor restricted net assets beginning of period	$ 3,447,845	$ 3,276,252
Investment return:		
Investment income	75,465	76,861
Investment expenses	(21,182)	(19,489)
Net appreciation (realized and unrealized)	335,853	284,544
Total investment return	390,136	341,916
Appropriation of donor restricted assets for expenditure	(164,068)	(170,323)
Donor Restricted net assets end of period	$ 3,673,913	$ 3,447,845

NOTE 6 - NET ASSET COMPOSITION

	2025	2024
Without donor restrictions:		
Undesignated	$ 51,771,606	$ 49,075,605
Total	$ 51,771,606	$ 49,075,605
With donor restrictions:		
Time restricted pledges	$ 745,581	$ 2,620,156
Endowment	3,673,913	3,447,845
Total	$ 4,419,494	$ 6,068,001

NOTE 7 - INVESTMENTS

Following are the aggregate carrying amounts and cost basis of investments as of December 31, 2025:

	Investments	Assets restricted for endowment	Carrying amount	Investment cost basis
Invested assets	$ 130,550	$ 3,673,913	$ 3,804,463	$ 3,287,366
	$ 130,550	$ 3,673,913	$ 3,804,463	$ 3,287,366

Following are the aggregate carrying amounts and cost basis of investments as of December 31, 2024:

	Investments	Assets restricted for endowment	Carrying amount	Investment cost basis
Invested assets	$ 2,329	$ 3,447,845	$ 3,450,174	$ 3,577,580
	$ 2,329	$ 3,447,845	$ 3,450,174	$ 3,577,580

Investment income is composed of the following for the years ended December 31, 2025, and 2024:

	2025	2024
Dividends	$ 74,510	$ 76,861
Interest	1,010	29,906
Less: Investment expenses	(21,262)	(19,489)
Realized gains (losses)	434,154	175,954
Unrealized gains (losses)	180,044	111,737
Investment income	$ 668,456	$ 374,969

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Center maintains accounts with one stock brokerage firm. The accounts contain cash and securities. Cash balances deposited at participating outside banks by the stock brokerage firm are insured up to $250,000 per institution by the Federal Deposit Insurance Corporation. Security balances are insured up to $500,000 (with limits of $250,000 for cash) by the Securities Investor Protection Corporation (SIPC). The brokerage firm has purchased additional SIPC (Excess SIPC) protection from London insurers with an aggregate firm limit of $150 million, including a maximum cash limit of $900,000 per customer for cash above the basic SIPC Protection.

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Center, although it expects to receive current support to fund operations for 2026 and later years, has $860,499 and $1,062,538 of financial assets available within one year of the statement of financial position dates on December 31, 2025, and 2024, respectively, to meet cash needs for general operating expenditures of the Center. Financial assets available within one year consist of the following:

	2025	2024
Cash and cash equivalents	$ 660,869	$ 839,037
Accounts receivable	69,080	221,172
Pledge receivable	502,105	2,172,724
Investments	3,804,463	3,450,174
Donor restricted to purpose	(4,176,018)	(5,620,569)
Financial assets available to meet cash needs within one year	$ 860,499	$ 1,062,538

NOTE 10 - COMMITMENTS

Certain contributions and bequests require the fulfillment of conditions accompanying the gift. Failure to fulfill the conditions could result in the return of the funds to donors. Although that is a possibility, the management and the board of the Center considers the return of such funds remote, since by accepting the gifts and their terms it has accepted the responsibility for and intends to fulfill its conditions.

NOTE 11 - PLEDGES RECEIVABLE

The Center receives promises to give from numerous sources. No allowance for uncollectible pledges has been provided as all pledges receivable are expected to be collected. As of December 31, 2025, and 2024, total pledges receivable was $745,581 and $2,620,156, respectively. The Center has provided a discount to present value of $39,144 and $121,106 for the years ended December 31, 2025, and 2024, for that portion of pledges to be collected in periods greater than one year. A discount rate of 4% has been used.

NOTE 11 - PLEDGES RECEIVABLES - CONT'D

Future maturities of pledge receivables are as follows as of December 31, 2025:

Years ended December 31,	Amount
2026	$ 502,105
2027	208,600
2028	28,320
2029	6,556
Discount	(39,144)
Total pledge receivable, net	$ 706,437

NOTE 12 - UNCERTAIN TAX POSITIONS

The Center files income tax returns in the U.S. federal jurisdiction. The Center is subject to income tax examination for tax returns for the year ended December 31, 2025 and 2024. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2025, there are no uncertain tax positions that would have a material effect on the financial statements.

NOTE 13 – INVESTMENT AND FAIR VALUE MEASUREMENTS

The Center has adopted Accounting Standards Codification 820. ASC 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center can access.

Level 2: Inputs to valuation methodology include:

A. Quoted prices for similar assets or liabilities in active markets.
B. Quoted prices for identical or similar assets or liabilities in inactive markets.
C. Inputs other than quoted prices that are observable for the asset or liability.
D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 13 – INVESTMENT AND FAIR VALUE MEASUREMENTS - CONT'D

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used on December 31, 2025.

Corporate Stock and Mutual Funds: Valued at quoted prices on public exchanges.

Corporate and Government Bonds: Valued at quoted prices in public markets.

Certificates of Deposit and Money Funds: The investments are reported at face value plus accrued interest.

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 Center 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 Center's assets at fair value as of December 31, 2025, with comparative total for 2024:

	2025			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 3,666,884	$ -	$ -	$ 3,666,884
Equities	130,550	-	-	130,550
Money funds	-	7,029	-	7,029
Total assets at fair value	$ 3,797,434	$ 7,029	$ -	$ 3,804,463

	2024			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 3,432,705	$ -	$ -	$ 3,432,705
Money funds	-	17,469	-	17,469
Total assets at fair value	$ 3,432,705	$ 17,469	$ -	$ 3,450,174

NOTE 14 - RETIREMENT PLAN

The Center adopted a Simple Individual Retirement plan during 2017 and replaced it with a 403(b) retirement plan during 2022. All employees are eligible to participate in the plan which provides opportunity for employees to defer a portion of their compensation, tax deferred, into the plan upon hire, with the Center providing a match up to 3% of compensation after six months of employment. The Center contributed $8,195 and $15,765 to the plan in the years ended December 31, 2025, and 2024, respectively.

NOTE 15 - MEMORANDUM OF AGREEMENT AND LEASE DEPOSIT

The Center entered into a memorandum of agreement (MOA) with two local groups who desire to construct a Marine Discovery Center (MDC) on a portion of the land on which the Center has constructed and is operating the performing arts and conference center. During August of 2024, a long-term lease was signed with the parties which granted a 40 year lease term, commencing after an initial due diligence period of 90 days from lease signing, in November of 2024.

During 2017, as part of the contribution of funds to the operations endowment detailed in Note 5, the Center also received an additional $228,210, which the donor specified was to be used to partially fund future ground lease payments on behalf of the two groups who intend to construct the MDC. The Center classified this receipt as a lease deposit liability. An additional deposit of $50,000 was received in 2023 and the balance of $121,790 was paid in 2024, bringing the total prepaid lease deposit balance to $400,000, which represents the total lease payments due for the 40-year lease period. $10,000 was recognized as lease payment during 2025.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2026, the date the financial statements were available to be issued.

On April 8, 2026, the Center paid the remaining outstanding balance of $3,850,000 on its line of credit with First Federal Bank in full. As a result, the Center had no outstanding debt obligations related to this credit facility as of that date. Other than the event described above, no additional events have occurred subsequent to December 31, 2025, that would require recognition or disclosure in the accompanying financial statements.