

Financial statements of:

**The Loft, Inc.
d/b/a The Loft Literary Center**

Years ended
August 31, 2025 and 2024

	Page
Independent auditor's report	1
Financial statements:	
Statements of financial position	2
Statements of activities and changes in net assets	3
Statements of functional expenses	4-5
Statements of cash flows	6
Notes to financial statements	7-22

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Loft, Inc. d/b/a The Loft Literary Center
Minneapolis, Minnesota

Opinion

We have audited the financial statements of The Loft, Inc. d/b/a The Loft Literary Center (the Organization) which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities and changes in net assets, 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 the Organization as of August 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Organization's ability to continue as a going concern for 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 GAAS 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 GAAS, 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 Organization'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 Organization'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.

*Schechter Dokken Kanter
Andrews & Selzer Ltd.*

April 22, 2026
Minneapolis, MN

	2025			2024		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Assets:						
Current assets:						
Cash and cash equivalents	\$ 92,037	\$ 418,599	\$ 510,636	\$ 52,262	\$ 623,698	\$ 675,960
Restricted cash reserve	-	150,000	150,000	-	150,000	150,000
Accounts receivable, considered collectible	55,128	-	55,128	37,332	-	37,332
Current portion of grants and contributions receivable	46,221	357,850	404,071	7,507	208,000	215,507
Prepaid expenses	21,202	-	21,202	30,014	-	30,014
Total current assets	<u>214,588</u>	<u>926,449</u>	<u>1,141,037</u>	<u>127,115</u>	<u>981,698</u>	<u>1,108,813</u>
Property and equipment, net	<u>5,597</u>	<u>-</u>	<u>5,597</u>	<u>3,885</u>	<u>-</u>	<u>3,885</u>
Other assets:						
Unemployment services trust	32,344	-	32,344	28,096	-	28,096
Long term portion of grants receivable	-	299,546	299,546	-	96,348	96,348
Operating lease right-of-use assets	90,819	-	90,819	99,708	-	99,708
Investments	579,324	4,125,977	4,705,301	770,039	3,867,911	4,637,950
	<u>702,487</u>	<u>4,425,523</u>	<u>5,128,010</u>	<u>897,843</u>	<u>3,964,259</u>	<u>4,862,102</u>
Total assets	<u>\$ 922,672</u>	<u>\$ 5,351,972</u>	<u>\$ 6,274,644</u>	<u>\$ 1,028,843</u>	<u>\$ 4,945,957</u>	<u>\$ 5,974,800</u>
Liabilities and net assets:						
Current liabilities:						
Accounts payable	\$ 23,694		\$ 23,694	\$ 25,441		\$ 25,441
Accrued expenses	38,760		38,760	30,240		30,240
Awards payable	25,000		25,000	62,500		62,500
Operating lease liabilities	8,080		8,080	7,441		7,441
Deferred revenue	241,017		241,017	233,115		233,115
Total current liabilities	<u>336,551</u>		<u>336,551</u>	<u>358,737</u>		<u>358,737</u>
Operating lease liability, net of current portion	<u>85,139</u>		<u>85,139</u>	<u>93,219</u>		<u>93,219</u>
Total liabilities	<u>421,690</u>		<u>421,690</u>	<u>451,956</u>		<u>451,956</u>
Net assets:						
Without donor restrictions	500,982		500,982	576,887		576,887
With donor restrictions	-	\$ 5,351,972	5,351,972	-	\$ 4,945,957	4,945,957
Total net assets	<u>500,982</u>	<u>5,351,972</u>	<u>5,852,954</u>	<u>576,887</u>	<u>4,945,957</u>	<u>5,522,844</u>
Total liabilities and net assets	<u>\$ 922,672</u>	<u>\$ 5,351,972</u>	<u>\$ 6,274,644</u>	<u>\$ 1,028,843</u>	<u>\$ 4,945,957</u>	<u>\$ 5,974,800</u>

	2025			2024		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues:						
Admissions	\$ 3,188		\$ 3,188	\$ 1,838		\$ 1,838
Tuitions	617,662		617,662	583,189		583,189
Collaboration and service fees	144,906		144,906	110,317		110,317
Mission-related rentals	44,335		44,335	42,048		42,048
Investment and interest income:						
General	96,058		96,058	160,803		160,803
Endowment	-	\$ 470,903	470,903	-	\$ 662,234	662,234
Other	3,712	-	3,712	3,940	-	3,940
Total revenues	<u>909,861</u>	<u>470,903</u>	<u>1,380,764</u>	<u>902,135</u>	<u>662,234</u>	<u>1,564,369</u>
Support:						
Grants:						
Government	225,432	98,541	323,973	30,000	-	30,000
Foundation	59,245	662,197	721,442	23,020	194,147	217,167
Corporation	-	10,000	10,000	-	10,000	10,000
Individuals	290,979	-	290,979	356,638	245,142	601,780
In-kind contributions	-	-	-	1,690	-	1,690
Total support	<u>575,656</u>	<u>770,738</u>	<u>1,346,394</u>	<u>411,348</u>	<u>449,289</u>	<u>860,637</u>
Net assets released from restrictions	622,789	(622,789)	-	655,395	(655,395)	-
Endowment earnings used in operations in support of mission	212,837	(212,837)	-	243,577	(243,577)	-
Total revenues and support	<u>2,321,143</u>	<u>406,015</u>	<u>2,727,158</u>	<u>2,212,455</u>	<u>212,551</u>	<u>2,425,006</u>
Expenses:						
Program services:						
Services for writers and the literary community	518,673		518,673	499,907		499,907
Learning for writers and readers	1,238,737		1,238,737	1,045,002		1,045,002
Events for readers	190,688		190,688	344,766		344,766
Support services:						
Management and general	129,987		129,987	141,135		141,135
Fundraising	318,963		318,963	320,015		320,015
Total expenses	<u>2,397,048</u>		<u>2,397,048</u>	<u>2,350,825</u>		<u>2,350,825</u>
Change in net assets	(75,905)	406,015	330,110	(138,370)	212,551	74,181
Net assets, beginning	<u>576,887</u>	<u>4,945,957</u>	<u>5,522,844</u>	<u>715,257</u>	<u>4,733,406</u>	<u>5,448,663</u>
Net assets, ending	<u>\$ 500,982</u>	<u>\$ 5,351,972</u>	<u>\$ 5,852,954</u>	<u>\$ 576,887</u>	<u>\$ 4,945,957</u>	<u>\$ 5,522,844</u>

	Services for Writers and the Literary Community	Learning for Writers and Readers	Events for Readers	Total program services	Management and general	Fundraising	Total mission support services	Total all services
Salaries	\$ 218,679	\$ 490,744	\$ 82,669	\$ 792,092	\$ 79,966	\$ 216,340	\$ 296,306	\$ 1,088,398
Payroll taxes and benefits	34,385	73,543	13,556	121,484	15,039	25,278	40,317	161,801
Total salaries and related expenses	<u>253,064</u>	<u>564,287</u>	<u>96,225</u>	<u>913,576</u>	<u>95,005</u>	<u>241,618</u>	<u>336,623</u>	<u>1,250,199</u>
Artist pay	42,666	392,781	49,722	485,169	-	832	832	486,001
Grants and awards	141,800	-	8,000	149,800	-	-	-	149,800
Staff development	292	1,054	112	1,458	105	515	620	2,078
Accessibility services	3,424	12,825	1,369	17,618	799	2,960	3,759	21,377
Travel and per diem	5,890	2,101	9,962	17,953	793	22	815	18,768
Hospitality, receptions and meetings	2,590	2,373	3,357	8,320	254	2,416	2,670	10,990
Marketing and promotion	1,070	48,222	566	49,858	-	656	656	50,514
Website	2,132	16,047	670	18,849	338	2,633	2,971	21,820
Professional and outsourced services	15,732	31,394	8,405	55,531	22,174	28,155	50,329	105,860
Printing	3	524	2	529	1	1,308	1,309	1,838
Postage, shipping, and delivery	491	2,689	142	3,322	101	4,274	4,375	7,697
Materials and supplies	581	3,028	2,041	5,650	399	652	1,051	6,701
Occupancy and program rental	29,244	39,294	5,766	74,304	2,735	8,595	11,330	85,634
Office expense	1,156	2,783	487	4,426	361	1,107	1,468	5,894
Software licenses and subscriptions	4,996	68,303	1,872	75,171	5,697	9,797	15,494	90,665
Memberships, dues, and subscriptions	231	466	52	749	353	446	799	1,548
Insurance	1,512	3,585	582	5,679	434	1,368	1,802	7,481
Bank and transaction fees	4,751	45,440	1,119	51,310	367	11,429	11,796	63,106
Miscellaneous	6,851	1,071	161	8,083	13	-	13	8,096
Total before depreciation	<u>518,476</u>	<u>1,238,267</u>	<u>190,612</u>	<u>1,947,355</u>	<u>129,929</u>	<u>318,783</u>	<u>448,712</u>	<u>2,396,067</u>
Depreciation	<u>197</u>	<u>470</u>	<u>76</u>	<u>743</u>	<u>58</u>	<u>180</u>	<u>238</u>	<u>981</u>
	<u>\$ 518,673</u>	<u>\$ 1,238,737</u>	<u>\$ 190,688</u>	<u>\$ 1,948,098</u>	<u>\$ 129,987</u>	<u>\$ 318,963</u>	<u>\$ 448,950</u>	<u>\$ 2,397,048</u>
Percentage of total expenses	21.6%	51.7%	8.0%	81.3%	5.4%	13.3%	18.7%	100.0%

	Services for Writers and the Literary Community	Learning for Writers and Readers	Events for Readers	Total program services	Management and general	Fundraising	Total mission support services	Total all services
Salaries	\$ 184,121	\$ 452,319	\$ 199,537	\$ 835,977	\$ 91,938	\$ 203,240	\$ 295,178	\$ 1,131,155
Payroll taxes and benefits	32,081	73,342	33,420	138,843	17,036	31,876	48,912	187,755
Total salaries and related expenses	216,202	525,661	232,957	974,820	108,974	235,116	344,090	1,318,910
Artist pay	78,094	338,086	28,489	444,669	20	733	753	445,422
Grants and awards	143,000	-	6,000	149,000	-	-	-	149,000
Staff development	545	1,377	662	2,584	168	893	1,061	3,645
Accessibility services	-	-	1,186	1,186	-	168	168	1,354
Travel and per diem	6,370	1,077	10,308	17,755	91	384	475	18,230
Hospitality, receptions and meetings	1,354	2,221	12,787	16,362	777	3,941	4,718	21,080
Event and video production	2	5	104	111	-	1,377	1,377	1,488
Marketing and promotion	1,062	35,527	15,825	52,414	-	4,731	4,731	57,145
Website	1,526	7,228	1,536	10,290	319	2,940	3,259	13,549
Professional and outsourced services	1,902	8,316	3,104	13,322	21,529	27,139	48,668	61,990
Printing	88	59	5,064	5,211	101	4,993	5,094	10,305
Postage, shipping, and delivery	400	1,387	725	2,512	94	4,261	4,355	6,867
Materials and supplies	541	5,800	976	7,317	159	2,173	2,332	9,649
Occupancy and program rental	33,929	33,035	9,337	76,301	2,111	8,960	11,071	87,372
Office expense	1,135	2,723	1,399	5,257	343	1,473	1,816	7,073
Software licenses and subscriptions	6,480	46,209	6,399	59,088	5,485	11,026	16,511	75,599
Memberships, dues, and subscriptions	516	456	232	1,204	59	247	306	1,510
Insurance	1,049	2,508	1,275	4,832	324	1,357	1,681	6,513
Bank and transaction fees	3,432	31,571	5,439	40,442	252	7,203	7,455	47,897
Miscellaneous	1,709	391	268	2,368	152	161	313	2,681
Total before depreciation	499,336	1,043,637	344,072	1,887,045	140,958	319,276	460,234	2,347,279
Depreciation	571	1,366	694	2,631	177	739	916	3,547
	<u>\$ 499,907</u>	<u>\$ 1,045,003</u>	<u>\$ 344,766</u>	<u>\$ 1,889,676</u>	<u>\$ 141,135</u>	<u>\$ 320,015</u>	<u>\$ 461,150</u>	<u>\$ 2,350,826</u>
Percentage of total expenses	21.3%	44.5%	14.7%	80.4%	6.0%	13.6%	19.6%	100.0%

	Services for Writers and the Literary Community	Learning for Writers and Readers	Events for Readers	Total program services	Management and general	Fundraising	Total mission support services	Total all services
Salaries	\$ 184,121	\$ 452,319	\$ 199,537	\$ 835,977	\$ 91,938	\$ 203,240	\$ 295,178	\$ 1,131,155
Payroll taxes and benefits	32,081	73,342	33,420	138,843	17,036	31,876	48,912	187,755
Total salaries and related expenses	216,202	525,661	232,957	974,820	108,974	235,116	344,090	1,318,910
Artist pay	78,094	338,086	28,489	444,669	20	733	753	445,422
Grants and awards	143,000	-	6,000	149,000	-	-	-	149,000
Staff development	545	1,377	662	2,584	168	893	1,061	3,645
Accessibility services	-	-	1,186	1,186	-	168	168	1,354
Travel and per diem	6,370	1,077	10,308	17,755	91	384	475	18,230
Hospitality, receptions and meetings	1,354	2,221	12,787	16,362	777	3,941	4,718	21,080
Event and video production	2	5	104	111	-	1,377	1,377	1,488
Marketing and promotion	1,062	35,527	15,825	52,414	-	4,731	4,731	57,145
Website	1,526	7,228	1,536	10,290	319	2,940	3,259	13,549
Professional and outsourced services	1,902	8,316	3,104	13,322	21,529	27,139	48,668	61,990
Printing	88	59	5,064	5,211	101	4,993	5,094	10,305
Postage, shipping, and delivery	400	1,387	725	2,512	94	4,261	4,355	6,867
Materials and supplies	541	5,800	976	7,317	159	2,173	2,332	9,649
Occupancy and program rental	33,929	33,035	9,337	76,301	2,111	8,960	11,071	87,372
Office expense	1,135	2,723	1,399	5,257	343	1,473	1,816	7,073
Software licenses and subscriptions	6,480	46,209	6,399	59,088	5,485	11,026	16,511	75,599
Memberships, dues, and subscriptions	516	456	232	1,204	59	247	306	1,510
Insurance	1,049	2,508	1,275	4,832	324	1,357	1,681	6,513
Bank and transaction fees	3,432	31,571	5,439	40,442	252	7,203	7,455	47,897
Miscellaneous	1,709	391	268	2,368	152	161	313	2,681
Total before depreciation	499,336	1,043,637	344,072	1,887,045	140,958	319,276	460,234	2,347,279
Depreciation	571	1,366	694	2,631	177	739	916	3,547
	<u>\$ 499,907</u>	<u>\$ 1,045,003</u>	<u>\$ 344,766</u>	<u>\$ 1,889,676</u>	<u>\$ 141,135</u>	<u>\$ 320,015</u>	<u>\$ 461,150</u>	<u>\$ 2,350,826</u>
Percentage of total expenses	21.3%	44.5%	14.7%	80.4%	6.0%	13.6%	19.6%	100.0%

1. Organization and summary of significant accounting policies:

The Loft, Inc. d/b/a The Loft Literary Center (the Organization) advances the power of writers and readers to craft and share stories, to create and celebrate connections, and to build just, life-sustaining communities.

In the 2025 fiscal year, the Loft continued to pursue goals and strategies set by the Organization's strategic framework. Learnings drove changes as the Organization evaluated and iterated to ensure the value, scalability, and sustainability of both new and existing programming.

Programs and program services:

Services for Writers and the Literary Community – In fiscal year 2025, the Organization provided a wide range of services designed to support writers and the broader literary community.

Loft.org, the Organization's website, provided regular articles and fostered discussions about the writers' life and craft through The Writers' Block blog. There, writers found writing exercises, readers found book and event recommendations, and both found literary reviews, commentary, news, and discussion. The site also included interviews, a calendar of readings and events, an online catalog of classes, and resources including information about writing groups, competitions, grants, awards, publishers, and agents. In FY25, the Loft made investments in making the website more intuitive to users and more accessible to people with disabilities.

Visitors to Open Book accessed The Rachel Anne Gaschott Ritchie Small Press Library to research journals that might publish their work and deepen their understanding of the manuscripts local independent publishers are seeking.

Eighteen writers made use of the Organization's writers' studios while the three Organization-sponsored culturally distinct writing groups met at Open Book. Thirty-two writers received individual manuscript critique or coaching to pursue their writing careers.

The Mentor Series Fellowship in Poetry and Creative Prose served twelve competitively selected emerging artists. These writers also received small monetary awards. Early career fellows are coached in their artistic development by local and national mentors in writing in poetry, fiction, nonfiction.

McKnight Artist Fellowships for Writers provided five Minnesota writers of demonstrated ability with grants of \$25,000, buying them time to concentrate on their craft. Four writers were competitively selected for awards in creative prose and one writer received the award for literature for older children.

The Loft's 2025 fiscal year brought a renewed partnership with the City of Minneapolis to select the Minneapolis Poet Laureate for 2025 as well as manage the program which includes a commission for new work, community projects, several special events featuring the awardee, and a financial award. This year we also coordinated activity for Academy of American Poets' Poet Laureate Fellowship, which was awarded to the 2024 Minneapolis Poet Laureate.

Through Strategic Partnerships, the Loft leveraged its resources and expertise in support of key allies in the literary ecosystem including a series of classes in at MIA and inspired by selected works of art and a series of workshops at Pillsbury House + Theatre to honor George Floyd's legacy and support healing through storytelling. The Organization continued its partnership in Open Book, our home, with co-founding partners Milkweed and the Minnesota Center for Book Arts. MayFly Design, a book design firm continues as a co-locating partner.

1. Organization and summary of significant accounting policies (continued):

Programs and program services (continued):

Learning for Writers and Readers – The Organization offered a variety of learning opportunities for writers and readers during fiscal year 2025. Adults and youth at all levels of artistic development furthered their skills in classes focused on fiction, poetry, creative nonfiction, screen/playwriting, children’s literature, graphic novel, and other literary forms; learned more about developing a writing practice and career; and explored literature as readers. After a year of experimentation with Lit!Commons, a subscription-based virtual learning and gathering space for writers, launched in 2024, the Loft determined that the scale of the initiative required more resources than it could return in a reasonable timeline. The effort was put on hiatus in June and will emerge in a more cost-effective format in the fall.

Altogether, the Loft served nearly 3,000 adults and 2,000 youth in 500 classes and workshops at Open Book and online as well as schools, libraries, community programs, and Lit!Commons..

Events for Readers – Readings and spoken word performances helped develop audiences for literature while promoting and advancing the work of individual writers. Panels and discussions featured writers and thought leaders using literature to spur conversations on topical issues and curated literary events engaged audience members in exploration of thought-provoking themes. A combined audience of more than 2,200 participated in 38 events, featuring a total of 98 artists and literary professionals.

To mitigate financial barriers to participation in literary and creative writing learning opportunities and events, the Organization provided reduced price access valued at \$112,000 in discounted registration and admissions

Cash and cash equivalents:

Short-term, highly liquid investments with initial maturities of three months or less are presented as cash and cash equivalents. However, at times, a portion of the endowment investment portfolio may be invested in cash equivalents and has been reflected as investments.

Accounts receivable and current expected credit losses:

Accounts receivables are stated at the estimated net realizable value after allowance for credit losses. The allowance for credit losses related to accounts receivables is based on management’s assessment of the collectability of specific customer accounts the aging of the accounts receivable, historical experience, and other currently available evidence. If actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Organization could be adversely affected. At both August 31, 2025 and 2024, the Organization expected no credit losses.

Grants and contributions receivable:

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. No allowance for doubtful accounts has been provided as all pledges and grants receivable are considered collectible. Grants that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the grant is receivable. Amortization of the discount is included in contribution revenue.

1. Organization and summary of significant accounting policies (continued):

Property and equipment:

Property and equipment purchased are recorded at cost. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. The Organization uses \$2,500 for a capitalization threshold.

Depreciation and amortization of property and equipment is computed on a straight-line basis over the estimated service lives of the assets as follows:

Computer software and equipment	3 to 5 years
Office furniture and equipment	5 to 7 years
Leasehold improvements	15 years or life of lease

Leases:

The Organization determines if an arrangement is a lease at inception and has identified that its Open Book space lease is subject to ASC 842 as of August 31, 2025. Operating leases are included in right-of-use (ROU) assets – operating and lease liabilities on the statements of financial position. ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. If an agreement does not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Operating lease ROU asset also includes any lease payments made and includes non-lease costs. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

Restricted cash:

The Organization maintains cash balances which were derived from permanently restricted contributions. These balances are classified separately and are included with cash and cash equivalents on the statement of cash flows.

Investments:

Investments consist primarily of stocks, bonds, and money market funds. They are recorded at fair value based on quoted market prices. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value rather than historical cost. The fair value of investments is based on the underlying value of the securities and will fluctuate based on overall changes in market conditions. Investment income or loss (including interest and dividends and realized and unrealized gains and losses) are recorded in the statement of activities.

1. Organization and summary of significant accounting policies (continued):

Fair value measurements:

The Organization's financial instruments are measured at estimated fair value using inputs from among the three levels of the fair value hierarchy set forth in FASB ASC 820 as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's 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 must maximize the use of observable inputs.

Deferred revenue:

Tuition payments received prior to year-end for the following year are deferred from income recognition and recognized as a current liability.

Net assets:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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.

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. 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.

1. Organization and summary of significant accounting policies (continued):

Grants and Contributions:

Grants and contributions are recognized when a donor makes an unconditional commitment to give to the Organization. Conditional contributions are recognized when conditions have been met and the conditional commitment becomes unconditional. Some grant agreements include required outcomes or reporting; however, these requirements do not constitute a barrier or condition which must be met prior to revenue recognition. As of August 31, 2025, the Organization had one conditional grant commitment of \$35,000 from the National Endowment for the Arts.

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions with donor restrictions for which restrictions are met in the same reporting period are recorded as without donor restriction. Net assets with donor restriction are reclassified to net assets without donor restriction upon satisfaction of the restrictions.

In-kind contributions:

In-kind contributions consist of advertising and catering.

Tuition, fees and revenue:

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09, applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

Sponsorship support is considered a contribution with some taxable benefits. The primary benefits are recognition in advertising, promotion, and the organization's materials (both printed and online). The revenue is recognized as the benefits roll out, with the final recognition once the sponsored activity takes place.

Event registration revenue collected in advance of the related event are deferred and recognized as revenue at the point in time at which the event takes place. Registrations are refundable if the event is cancelled. The performance obligation is hosting the event for registered attendees.

Revenue from contracts with students for tuition is deferred and recognized once the class or conference has begun and has passed the window in which the contract allows for refunds. Year-long programs that cross fiscal years are recognized as performance obligations that are satisfied over the two fiscal years, and thus the revenue is recognized accordingly. Generally, the Organization bills students prior to the beginning of the class, conference or program.

1. Organization and summary of significant accounting policies (continued):

Functional allocation of expense:

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include personnel expenses, staff development, marketing and promotion, professional and outsourced services, office equipment and supplies, occupancy and office expenses, some software licenses and subscriptions, memberships, and depreciation and amortization. Personnel expenses are allocated based on each staff's monthly time study estimates per program or support area. Marketing and promotion expenses are allocated to programs and fundraising directly, with general marketing and promotion expense allocated to programs and fundraising based on percentage of related content. Occupancy expenses, printing and postage are attributed to specific programs based on use, with exception of office space rent. Office space, operational personnel expenses, staff development, professional and contracted services, technology and software, not attributable to specific programs or support areas are allocated across program and support areas based on the proportion of full-time equivalents (FTE's) each area makes up. For example, general IT support is allocated with the idea that it increases with each FTE and their corresponding technology needs. While human resource leadership is considered an administrative cost, benefits implementation is allocated by the proportion of FTEs for the same reason. General accounting services are attributed to administration, but program-specific revenue and expense accounting is allocated based on time and effort as estimated in the accountant's time study. Credit card transaction fees are allocated to programs based on related sales/contribution activity. All other expenses including the website, bank fees, office space and related occupancy expense, depreciation and amortization are allocated based on percentage of FTEs.

Tax exempt status:

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute and has been classified as a public charity under the Internal Revenue Code.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance related to uncertain tax positions.

Advertising:

The Organization expenses advertising costs as incurred. Advertising costs for 2025 and 2024 were \$45,342 and \$50,655, respectively.

Insurance:

The Organization uses a combination of insurance and self-insurance mechanisms, including participation in an unemployment trust, to provide for liabilities for certain risks. Asset balances attributable to the Organization in the Unemployment Services Trust were \$32,344 and \$28,096 at August 31, 2025 and 2024, respectively, and are presented on the statement of financial position.

1. Organization and summary of significant accounting policies (continued):

Estimates:

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from those estimates.

Risks and uncertainties:

The Organization holds its investments in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk.

Reclassifications:

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 presentation.

Subsequent events:

Management has evaluated for subsequent events through April 22, 2026, the date the financial statements were available for issuance.

2. Liquidity and availability:

The following represents the Organization's financial assets at August 31:

	<u>2025</u>	<u>2024</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 660,636	\$ 825,960
Accounts receivable, net	55,128	37,332
Contributions and grants receivable, net	703,617	311,855
Investments, including endowment	<u>4,705,301</u>	<u>4,637,950</u>
	<u>6,124,682</u>	<u>5,813,097</u>
Less amounts not available to be used within one year:		
Endowment principal which is donor-restricted into perpetuity	2,404,644	2,404,644
Net assets with donor restrictions not expected to be met within the year	<u>1,880,083</u>	<u>1,484,279</u>
	<u>4,244,599</u>	<u>3,888,923</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,880,083</u>	<u>\$ 1,924,174</u>

2. Liquidity and availability (continued):

Contributions to the Loft’s endowment funds are restricted into perpetuity and not available for any use other than to provide income in the form of a draw from investment returns, dividends, and interest. The Loft’s current endowment policy allows for an annual draw of 3-5% of the 12-quarter rolling average value of the endowment and its earnings to support the operations of the Loft and the board is authorized to make exceptions to exceed the 5% cap on a limited basis. In 2024, the board of directors approved a draw of 7%. Although the Organization does not intend to spend from the endowment’s net assets for the operating budget until such time as they are approved to be used in the annual budget via the draw; these amounts could be available in the case of an emergency if so authorized by the board of directors.

The Loft also holds a \$150,000 permanently restricted reserve (the Wallace Cash Reserve Fund) to support activities that build participation in the literary arts. Funds withdrawn from this revolving cash reserve must be repaid on or before the last day of the fiscal year following the year in which they are withdrawn.

The Organization’s goal is generally to maintain financial assets to meet a minimum of three months of regular cash operating expenses and committed program expenses (approximately \$600,000) using unrestricted net assets and donor-restricted funds for which the restriction will be met during the period. Excluded expenses include depreciation, and in-kind services.

3. Accounts receivable, deferred revenue and contract balances:

Opening and closing balances for contract assets, and accounts receivable arising from contracts with customers include:

	<u>August 31,</u> <u>2025</u>	<u>August 31,</u> <u>2024</u>	<u>September 1,</u> <u>2023</u>
Accounts receivable	<u>\$ 55,128</u>	<u>\$ 37,332</u>	<u>\$ 50,326</u>

Contract assets arise when the Organization transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Organization is able to invoice the customer. There were no contract assets at August 31, 2025, 2024 or September 1, 2023.

3. Accounts receivable, deferred revenue and contract balances (continued):

Upon receipt of a prepayment from a customer, the Organization recognizes deferred revenue in the amount of the prepayment for its performance obligation to transfer goods and services in the future. The following table provides information about significant changes in deferred revenue for the year ended August 31, 2025:

	<u>2025</u>	<u>2024</u>
Deferred revenue, beginning of year:	\$ 233,115	\$ 251,724
Revenue recognized included in deferred revenue at the beginning of year	(233,115)	(251,724)
Increases in deferred revenue due to cash received during the year	<u>241,017</u>	<u>233,115</u>
Deferred revenue, end of year	<u>\$ 241,017</u>	<u>\$ 233,115</u>

4. Investments:

In accordance with FASB ASC 820, the Organization has categorized its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), observable market-based inputs or unobservable inputs that are corroborated by market data (Level 2), and the lowest priority to unobservable inputs (Level 3).

Financial assets that are carried at estimated fair value are categorized based on the inputs to the valuation technique as follows for the years ended August 31:

<u>Financial asset category</u>	<u>2025</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Operating investments:				
Mutual funds:				
Vanguard Social Index	\$ 171,286			\$ 171,286
Vanguard LifeStrategy Moderate Growth	<u>408,038</u>			<u>408,038</u>
Total operating investments	<u>579,324</u>			<u>579,324</u>
Endowment:				
Mutual funds:				
Vanguard Social Index	1,334,768			1,334,768
Vanguard LifeStrategy Moderate Growth	<u>2,791,209</u>			<u>2,791,209</u>
Total endowment	<u>4,125,977</u>			<u>4,125,977</u>
Total investments	<u>\$ 4,705,301</u>			<u>\$ 4,705,301</u>

4. Investments (continued):

Financial asset category	2024			Total
	Level 1	Level 2	Level 3	
Operating investments:				
Mutual funds, Vanguard:				
Social Index	\$ 245,079			\$ 245,079
LifeStrategy Moderate Growth	<u>524,960</u>			<u>524,960</u>
Total operating investments	<u>770,039</u>			<u>770,039</u>
Endowment:				
Mutual funds, Vanguard:				
Social Index	1,243,913			1,243,913
LifeStrategy Moderate Growth	<u>2,623,998</u>			<u>2,623,998</u>
Total endowment	<u>3,867,911</u>			<u>3,867,911</u>
Total investments	<u>\$ 4,637,950</u>			<u>\$ 4,637,950</u>

5. Grants and contributions receivable:

The outstanding balance of grants and contributions receivable as of August 31 consist of the following:

	2025	2024
Gross grants and contributions receivable	\$ 715,071	\$ 315,507
Less portion collectible within 1 year	<u>404,071</u>	<u>215,507</u>
Portion collectible in 1 to 5 years	311,000	100,000
Less discounts to net present value at 3.45%	<u>11,454</u>	<u>3,652</u>
Present value of long term receivables	<u>\$ 299,546</u>	<u>\$ 96,348</u>

6. Property and equipment:

Property and equipment as of August 31 consists of:

	<u>2025</u>	<u>2024</u>
Equipment	\$ 75,722	\$ 73,029
Leasehold improvements	39,032	39,032
Software	<u>132,249</u>	<u>132,249</u>
	247,003	244,310
Less accumulated depreciation and amortization	<u>241,406</u>	<u>240,425</u>
	<u>\$ 5,597</u>	<u>\$ 3,885</u>

7. Leases:

The Organization has a space lease recorded as an operating lease. The lease was executed on February 15, 2024. The total expense charged against operations for leases was \$11,712 for each of the years ended August 31, 2025 and 2024. The future minimum lease payments for operating lease liabilities are as follows:

<u>Year ended</u> <u>August 31</u>	<u>Amount</u>
2026	\$ 11,792
2027	12,152
2028	12,544
2029	12,936
2030	13,328
Thereafter	<u>48,449</u>
	111,201
Less interest	<u>17,982</u>
Lease liability	<u>\$ 93,219</u>

The weighted average remaining lease term was 8.42 years (101 months) and 9.42 years (113 months) for the operating lease at August 31, 2025 and August 31, 2024 respectively. The weighted-average discount rate was 4.19% for the operating lease as of August 31, 2025 and August 31, 2024.

8. Net assets with donor restrictions: _____

Net assets with donor restriction as of August 31 consist of:

	<u>2025</u>	<u>2024</u>
Restricted to purpose:		
Creative Writing Education	\$ 2,691	\$ 17,940
McKnight Artist Fellowships for Writers	672,050	270,775
Mentor Series	87,500	175,000
Strategic Initiatives	146,348	244,348
Youth Education	<u>26,556</u>	<u>121,983</u>
Total restricted to purpose	935,145	830,046
Restricted to time	140,850	98,000
Endowment Earnings	1,721,333	1,463,267
Net assets with donor restrictions into perpetuity:		
Endowment	2,404,644	2,404,644
Other	<u>150,000</u>	<u>150,000</u>
Total net assets with donor restriction	<u>\$ 5,351,972</u>	<u>\$ 4,945,957</u>

9. Net assets held in perpetuity: _____

The Loft Literary Center Endowment Fund (the Endowment) is a restricted net asset held in perpetuity invested to generate purpose restricted income and appreciation to support the fulfillment of the Organization’s mission and long-term financial needs.

As required by FASB ASC 958-205-05, “*Endowments of Not-for-Profit Organizations*,” net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization applies the standards of the State Prudent Management of Institutional Funds Act (SPMIFA) which have a long-term aim to preserve the purchasing power of original gifts as of the gift date, while allowing for shorter term fluctuations in value.

9. Net assets held in perpetuity (continued):

As a result of this interpretation, the Organization classifies as net assets held in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if such directions exist. The remaining portions of the donor-restricted endowment fund that is not classified in net assets held in perpetuity, rather purpose restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA and its own policies.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- The general economic environment.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide reasonably stable and predictable funds from the endowment for the Organization's operating budget and to preserve purchasing power by striving for long-term returns which either match or exceed the total of the set payout, including any fees and inflation.

The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The target rate of the annual draw is 4% of the market value of the Endowment, net of fees and expenses (based on the 12-quarter running average ending with June 30 of the fiscal year prior to the fiscal year in which the draw will be taken). The board will set the draw amount to between 3-5% annually and the board is authorized to make exceptions to exceed the 5% cap on a limited basis. In 2024, the board of directors approved a 7% draw.

The Organization's Finance Committee regularly reviews its endowment policies, practices, and results and as needed, recommends changes to the investments or, for policy changes, to the full board of directors.

9. Net assets held in perpetuity (continued): _____

The composition of the Organization’s net assets held in perpetuity is as follows:

	<u>2025</u>		
	<u>Endowment</u>	<u>Other</u>	<u>Total</u>
Total net assets held in perpetuity, beginning of year	\$ 2,404,644	\$ 150,000	\$ 2,554,644
Add surplus, included in purpose restricted net assets	<u>1,463,267</u>	-	<u>1,463,267</u>
Donor-restricted funds included in investments, beginning of year	<u>3,867,911</u>	<u>150,000</u>	<u>4,017,911</u>
Change in endowment investments:			
Investment income	84,321	-	84,321
Net realized and unrealized gain, net of fees	386,582	-	386,582
Draw to support Loft operations	<u>(212,837)</u>	-	<u>(212,837)</u>
Net change	<u>258,006</u>	-	<u>258,006</u>
Endowment investment total at August 31, 2025	4,125,977	150,000	4,275,977
Less surplus, included in purpose restricted net assets	<u>1,721,333</u>	-	<u>1,721,333</u>
Total net assets held in perpetuity, end of year	<u>\$ 2,404,644</u>	<u>\$ 150,000</u>	<u>\$ 2,554,644</u>

9. Net assets held in perpetuity (continued):

	<u>2024</u>		
	<u>Endowment</u>	<u>Other</u>	<u>Total</u>
Total net assets held in perpetuity, beginning of year	\$ 2,404,644	\$ 150,000	\$ 2,554,644
Add surplus, included in purpose restricted net assets	<u>1,044,610</u>	-	<u>1,044,610</u>
Donor-restricted funds included in investments, beginning of year	<u>3,449,254</u>	<u>150,000</u>	<u>3,449,254</u>
Change in endowment investments:			
Contributions	-	-	-
Investment income	83,231	-	83,231
Net realized and unrealized gain, net of fees	579,003	-	579,003
Draw to support Loft operations	<u>(243,577)</u>	-	<u>(243,577)</u>
Net change	<u>418,657</u>	-	<u>418,657</u>
Endowment investment total at August 31, 2024	<u>3,867,911</u>	-	<u>4,017,911</u>
Less:			
Surplus, included in:			
Operating net assets	-	-	-
Purpose restricted net assets	<u>(1,463,267)</u>	-	<u>(1,463,267)</u>
Total net assets held in perpetuity, end of year	<u>\$ 2,404,644</u>	<u>\$ 150,000</u>	<u>\$ 2,554,644</u>

10. Net assets released from restrictions:

Net assets released from restrictions:

Net assets released from restrictions for years ended August 31 consisted of the following:

	<u>2025</u>	<u>2024</u>
Purpose restriction:		
Accessibility	\$ -	\$ 3,059
Creative Writing Education	17,941	3,241
McKnight Artist Fellowships for Writers	225,922	187,913
Mentor Series	87,500	-
Strategic planning	98,000	66,601
Youth education	<u>95,426</u>	<u>9,540</u>
Total purpose restrictions met	524,789	270,351
Time restrictions met	98,000	385,044
Endowment earnings released	<u>212,837</u>	<u>243,577</u>
Total net assets released from restriction	<u>\$ 835,626</u>	<u>\$ 898,972</u>

11. In-kind contributions: _____

In-kind contributions as of August 31 include the following:

	2025	2024
Advertising and promotion, hotel space, and materials	\$ -	\$ 1,690

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by The Loft.

Advertising services, hotel space and materials were used in The Loft’s events for readers programming and valued at typically-charged rates reported by the donor.

12. Concentrations: _____

The Organization maintains its main bank accounts with one bank in Minnesota. At times, the amounts on deposit may exceed federally insured limits. No losses have occurred due to this concentration.

As of August 31, 2025 and 2024, 67% and 81%, respectively, of the grants and contributions receivable balance were from two donors, respectively.

For the year ended August 31, 2025, 23% of the revenue and support, which includes funding to be regranted to artists, was from one donor. There was no concentration of revenue for the year ended August 31, 2024

13. Retirement plan: _____

The Organization has a defined contribution retirement plan for its employees who meet certain age and service requirements. There were no employer contributions to the Plan for the years ended August 31, 2025 and 2024.

14. Funds held by others: _____

The Organization is a beneficiary of a designated fund at The Saint Paul Foundation. Pursuant to the terms of the agreement establishing this fund, property contributed to The Saint Paul Foundation is held as a separate fund designated for the benefit of the Organization. In accordance with its spending policy, the Foundation makes distributions from the fund to the Organization. The distributions are approximately 5% of the market value of the fund per year. The fund totals of \$84,908 and \$83,302 as of August 31, 2025 and 2024, respectively, and is not included in these financial statements, since the initial donations to begin the fund were contributed directly to The Saint Paul Foundation, in accordance with FASB ASC 958-605-30, *“Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others.”*