

Ann Arbor Summer Festival, Inc.

Financial Statements

September 30, 2022

(With Summarized Comparative Information for 2021)



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

Management and the Board of Directors
Ann Arbor Summer Festival, Inc.
Ann Arbor, Michigan

Opinion

We have audited the accompanying financial statements of Ann Arbor Summer Festival, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, 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 referred to above present fairly, in all material respects, the financial position of Ann Arbor Summer Festival, Inc. as of September 30, 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ann Arbor Summer Festival, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Ann Arbor Summer Festival, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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, including omissions, 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 Ann Arbor Summer Festival, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ann Arbor Summer Festival, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Ann Arbor Summer Festival, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February, 22, 2022. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
March 21, 2023

Ann Arbor Summer Festival, Inc.
Statement of Financial Position
September 30, 2022
(With Summarized Comparative Information for 2021)

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 105,276	\$ 294,519
Grants receivable	5,580	3,600
Promises to give	5,132	53,436
Prepaid expenses	2,000	3,050
Total current assets	117,988	354,605
Noncurrent assets		
Restricted cash	249	150
Restricted investments	303,994	368,697
Promises to give, net of current portion	2,500	2,500
Property and equipment, net	54,415	9,435
Total noncurrent assets	361,158	380,782
Total assets	\$ 479,146	\$ 735,387

See Accompanying Notes to the Financial Statements

Ann Arbor Summer Festival, Inc.
Statement of Financial Position
September 30, 2022
(With Summarized Comparative Information for 2021)

	2022	2021
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 8,952	\$ 11,368
Accrued expenses	13,046	30,318
Deferred revenue	-	15,000
Advance refunding	-	10,000
Total current liabilities	21,998	66,686
Net assets		
Without donor restrictions		
Undesignated	144,037	252,176
Board designated - endowment earnings	68,336	136,235
Total without donor restrictions	212,373	388,411
With donor restrictions		
Purpose restrictions	3,868	13,678
Time-restricted for future periods	5,000	34,000
Endowment corpus	235,907	232,612
Total with donor restrictions	244,775	280,290
Total net assets	457,148	668,701
Total liabilities and net assets	\$ 479,146	\$ 735,387

See Accompanying Notes to the Financial Statements

Ann Arbor Summer Festival, Inc.
Statement of Activities
For the Year Ended September 30, 2022
(With Summarized Comparative Information for 2021)

	Without donor restrictions	With donor restrictions	2022	2021
Revenue, support and gains (losses)				
Ticketed series sales	\$ 74,148	\$ -	\$ 74,148	\$ 23,482
Top of the Park sales	277,095	-	277,095	443
Contributions	326,109	3,295	329,404	283,642
PPP loan forgiveness	-	-	-	185,798
Sponsorships	236,250	-	236,250	67,450
Grants	294,879	190	295,069	313,986
Contributions of nonfinancial assets	34,801	-	34,801	21,119
Other revenue	3,300	-	3,300	1,141
Interest and dividend income	6,262	-	6,262	2,743
Realized loss on uncollectible promises to give	-	(29,000)	(29,000)	-
Realized gain on investments	-	-	-	347
Unrealized gain (loss) on investments	(73,823)	-	(73,823)	60,168
Net assets released from restrictions	10,000	(10,000)	-	-
	<u>1,189,021</u>	<u>(35,515)</u>	<u>1,153,506</u>	<u>960,319</u>
Expenses				
Program services	917,269	-	917,269	389,461
Support				
Management and general	332,714	-	332,714	204,485
Fundraising	115,076	-	115,076	114,716
	<u>447,790</u>	<u>-</u>	<u>447,790</u>	<u>319,201</u>
Total expenses	<u>1,365,059</u>	<u>-</u>	<u>1,365,059</u>	<u>708,662</u>
Change in net assets	(176,038)	(35,515)	(211,553)	251,657
Net assets - beginning of year	388,411	280,290	668,701	417,044
Net assets - end of year	<u>\$ 212,373</u>	<u>\$ 244,775</u>	<u>\$ 457,148</u>	<u>\$ 668,701</u>

See Accompanying Notes to the Financial Statements

Ann Arbor Summer Festival, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2022
(With Summarized Comparative Information for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (211,553)	\$ 251,657
Items not requiring cash		
Depreciation	13,244	5,592
Realized loss on uncollectible promises to give	29,000	-
Gain on extinguishment of debt	-	(92,332)
Unrealized (gain) loss on investments	73,823	(60,168)
Realized gain on investments	-	(347)
Changes in operating assets and liabilities		
Grants receivable	(1,980)	900
Promises to give	19,304	(4,127)
Prepaid expenses	1,050	19
Accounts payable	(2,416)	3,055
Accrued expenses	(17,272)	22,661
Deferred revenue	(15,000)	(16,250)
Advance refunding	(10,000)	-
	(121,800)	110,660
Cash flows from investing activities		
Purchases of investments	(9,120)	(4,796)
Purchases of property and equipment	(58,224)	(6,945)
	(67,344)	(11,741)
Net cash used by investing activities		
	(189,144)	98,919
Net change in cash, cash equivalents, and restricted cash		
	294,669	195,750
Cash, cash equivalents, and restricted cash - beginning of year		
	294,669	195,750
Cash, cash equivalents, and restricted cash - end of year	\$ 105,525	\$ 294,669
Cash, cash equivalents, and restricted cash		
Cash and cash equivalents (current)	\$ 105,276	\$ 294,519
Restricted cash	249	150
	105,525	294,669
Total cash, cash equivalents, and restricted cash	\$ 105,525	\$ 294,669

See Accompanying Notes to the Financial Statements

Ann Arbor Summer Festival, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2022
(With Summarized Comparative Information for 2021)

	Program	Management	Fundraising	Total	
	Services	and General		2022	2021
Salaries and related costs					
Salaries and wages	\$ 287,077	\$ 75,021	\$ 83,981	\$ 446,079	\$ 292,048
Payroll taxes	22,247	10,056	7,123	39,426	21,191
Employee benefits	24,626	4,883	7,805	37,314	26,658
Total salaries and related costs	333,950	89,960	98,909	522,819	339,897
Printing and postage	7,536	2,097	9,615	19,248	14,249
Insurance	17,693	12,101	-	29,794	15,702
Utilities	46,500	2,782	-	49,282	8,130
Operating supplies	20,897	411	-	21,308	10,182
Equipment rental and maintenance	71,279	2,221	49	73,549	22,450
Education outreach	1,588	-	-	1,588	700
Molly arts education - intern	-	7,768	-	7,768	9,936
Telephone and internet	782	3,782	-	4,564	3,773
Computer maintenance	-	7,219	-	7,219	10,778
Office supplies	27	1,574	40	1,641	1,778
Professional services	3,440	57,570	-	61,010	26,587
Books, subscriptions	2,039	6,038	-	8,077	6,119
Visual arts	4,500	-	-	4,500	2,000
Cost of goods sold	88,450	-	-	88,450	1,330
Artist fees	176,853	3,440	-	180,293	73,838
Production services and contractors	48,163	425	-	48,588	20,405
Other production costs	3,616	3,054	29	6,699	756
Taxes and licenses	10,528	1,399	62	11,989	2,989
Professional development	-	1,465	-	1,465	1,790
Design fees	-	28,500	-	28,500	44,400
Rent	1,800	20,500	-	22,300	20,880
Artist hotels	10,580	-	-	10,580	871
Box office	5,981	-	-	5,981	23
Artist travel	7,724	411	-	8,135	6,928
Credit card and bank fee	7,632	4,019	-	11,651	4,435
Security	13,075	-	-	13,075	5,310
Cultivation	209	7,067	5,331	12,607	7,819
Miscellaneous	490	2,971	-	3,461	968
Advertising	31,937	52,696	1,041	85,674	38,047
Depreciation	-	13,244	-	13,244	5,592
Total expenses	\$ 917,269	\$ 332,714	\$ 115,076	\$ 1,365,059	\$ 708,662

See Accompanying Notes to the Financial Statements

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2022
(With Summarized Comparative Information for 2021)

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Ann Arbor Summer Festival, Inc. ("A2SF") is a Michigan non-profit, based in Ann Arbor, Michigan and incorporated in 1978. A2SF's mission is to present world-class celebration of arts and entertainment that enriches the cultural, economic, and social vitality of the region. A2SF is funded through ticket sales, concessions, contributions, and grants.

Basis of Accounting

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

Basis of Presentation

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 restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.

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.

A2SF reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when

a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Comparative Financial Information

The financial information for the year September 30, 2021 is presented for comparative purposes is not intended to be a complete financial statement presentation.

Cash and Cash Equivalents

A2SF considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents. As of September 30, 2022 all \$112,996 of cash and cash equivalents was insured by the FDIC.

Investments

A2SF carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Investment income and gains and losses, including unrealized, are included in the change in net assets in the accompanying statement of activities as without donor restriction unless restricted by donor stipulation. Donated investments are recorded at fair market value at the date of gift. A2SF holds investments which are classified as available for sale and are recorded at fair value.

A2SF applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2022
(With Summarized Comparative Information for 2021)

Grants Receivable

A2SF holds various types of receivables – accounts receivable related to A2SF operations, grant and sponsorship receivables, as well as contribution receivables (pledges, i.e. promises to give). A2SF uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management’s review, no allowance was deemed necessary as of September 30, 2022 and 2021.

Promises to Give

Contributions are recognized when the donor makes a promise to give to A2SF that is, in substance, unconditional.

A2SF uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

Property and Equipment

A2SF follows the practice of capitalizing all expenditures in excess of \$500 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

A2SF evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net

assets without donor restrictions are reported when the long-lived assets are placed in service.

Beneficial Interest in Assets Held by Others

A2SF has previously established an endowment held and managed by the Ann Arbor Area Community Foundation (“Foundation”). A2SF is eligible to receive distributions based on earnings on the average balance of the endowment, not to exceed the available balance. A2SF received disbursements of \$2,460 and \$1,605 during the years ended September 30, 2022 and 2021, respectively. With the exception of the previously mentioned allowable disbursements and an annual fee not to exceed the principal balance, the Foundation cannot make disbursements of the endowment corpus. The Foundation has variance power of these funds. The principal balance of these funds was \$111,213 and \$129,237 as of September 30, 2022 and 2021.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and Goods

During the year, contributed goods and services meeting the requirements for recognition in the financial statements including legal services, printing, advertising, food, parking, etc. have been recorded at the fair value of the donations received. Total value of donated goods and services included in expenses was \$34,801 and \$21,119 for September 30, 2022 and 2021, respectively.

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2022
(With Summarized Comparative Information for 2021)

Advertising

A2SF expenses advertising costs the first time the advertising occurs. Advertising expense for the years ended September 30, 2022 and 2021 was \$85,674 and \$38,047, respectively. These amounts include in-kind advertising expenses.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited such as salaries and related expenses.

Income Tax Status

A2SF is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization other than a private foundation, as described in Section 509(a). A2SF files information returns in the U.S. Federal and Michigan jurisdiction.

Risks and Uncertainties

A2SF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through March 21, 2023, which is the date the financial statements were available to be issued.

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2022
(With Summarized Comparative Information for 2021)

Note 2 - Liquidity and Availability

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 105,276	\$ 294,519
Investments	304,243	368,847
Grants receivable	5,580	3,600
Promises to give	<u>7,632</u>	<u>53,436</u>
 Total financial assets - end of year	 <u>422,731</u>	 <u>720,402</u>
 Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(244,775)	(280,290)
 Board designations:		
Endowment earnings, primarily for long-term investing	<u>(68,336)</u>	<u>(136,235)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 109,620</u>	 <u>\$ 303,877</u>

A2SF's goal is generally to maintain financial assets to meet 3 to 6 months of operating expenses (approximately \$600,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

Note 3 - Promises to Give

Promises to give are scheduled to be collected as follows:

	<u>2022</u>	<u>2021</u>
Promises to give	<u>\$ 7,632</u>	<u>\$ 55,936</u>
 Amounts due in		
2023	\$ 5,132	
2024	<u>2,500</u>	
	<u>\$ 7,632</u>	

All amounts due are current and expected to be fully received.

	<u>2022</u>	<u>2021</u>
Balance beginning of the year	\$ 55,936	\$ 51,809
Less collections	(19,304)	(873)
Less uncollectible pledges	(29,000)	-
Add new pledges	-	5,000
Balance end of the year	<u>\$ 7,632</u>	<u>\$ 55,936</u>

Note 4 - Grants Receivable

A2SF had the following grants receivable as of September 30:

	<u>2022</u>	<u>2021</u>
Michigan Council for Arts and Cultural Affairs	<u>\$ 5,580</u>	<u>\$ 3,600</u>

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2022
(With Summarized Comparative Information for 2021)

Note 5 - Revenue from Contracts with Customers

The following summarizes revenue by type for the year ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	\$ 351,243	\$ 23,925
Contributions	329,404	283,642
Sponsorship	236,250	67,450
Grants	295,069	313,986
PPP loan forgiveness	-	185,798
In-kind contributions	34,801	21,119
Other revenue	3,300	1,141
Interest and dividend income	6,262	2,743
Realized loss on uncollectible promises to give	(29,000)	-
Realized gain on investments	-	347
Unrealized gain on investments	<u>(73,823)</u>	<u>60,168</u>
Total revenue	<u>\$ 1,153,506</u>	<u>\$ 960,319</u>

The revenue from contracts with customers for the year ended September 30, 2022 and 2021 consists of:

	<u>2022</u>	<u>2021</u>
Revenue earned at a point in time	<u>\$ 351,243</u>	<u>\$ 23,925</u>

Revenue earned at a point in time consists of various festival programs such as private party rentals, ticket and souvenir sales provided to local business owners and patrons throughout the year. Generally, private party rentals must be prepaid and therefore the revenues and cash flows related to that program are not subject to the same amount of uncertainty as other activities. The private party rentals and other ticket programs are typically one day events and

therefore the performance obligation is typically satisfied when the attendee attends the event; if the attendee does not attend the entire event, revenue is still earned if some portion of the event was attended. This is because if the attendee attends a portion of the event, they will not be refunded their money. There is no variable consideration for the events depending on who is attending as payment is received in advance or at time of entry. The transaction price is calculated using the expected value method based on historical experience for each price. Because the majority of attendees are paying timely and in advance, there is no constraint.

The following summarizes contract assets and contract liabilities as of:

	<u>September 30, 2022</u>	<u>September 30, 2021</u>	<u>October 1, 2020</u>
Accounts receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred revenue	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 31,250</u>

There were no changes in judgments related to revenue recognition for the years ended September 30, 2022 and 2021.

A2SF uses the practical expedient to record revenue as if there is no significant financing component when the receivable is due within one year.

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2022
(With Summarized Comparative Information for 2021)

Note 6 - Investments

Fair value of investments is determined by Level 1 inputs, which generally use quoted prices in active markets for identical assets that A2SF has the ability to access. The fair value at September 30 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 3,210	\$ 2,185
Bond funds	83,346	91,640
Mutual funds	<u>217,438</u>	<u>274,872</u>
 Total investments	 <u>\$ 303,994</u>	 <u>\$ 368,697</u>

Investment income is composed of the following at September 30:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 6,262	\$ 2,743
Realized gain on investments	-	347
Unrealized gain (loss) on investments	<u>(73,823)</u>	<u>60,168</u>
	 <u>\$ (67,561)</u>	 <u>\$ 63,258</u>

Note 7 - Property and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>Estimate Useful Life</u>
Office equipment	\$ 23,670	\$ 25,311	3-7 years
Production equipment	<u>183,089</u>	<u>131,232</u>	3-7 years
	206,759	156,543	
 Less: accumulated depreciation	 <u>(152,344)</u>	 <u>(147,108)</u>	
	 <u>\$ 54,415</u>	 <u>\$ 9,435</u>	

Note 8 - Board Designated Net Assets

The Board of Directors of A2SF has voluntarily designated \$68,336 and \$136,235 as of September 30, 2022 and 2021, respectively, whose purpose is to be held as corpus in the endowment fund until the endowment reaches its investment goal.

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2022
(With Summarized Comparative Information for 2021)

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at September 30:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Summer internships	<u>\$ 3,868</u>	<u>\$ 13,678</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due		
2022	2,500	2,500
2023	2,500	2,500
Sponsorship of 2021 Summer Festival	<u>-</u>	<u>29,000</u>
	<u>5,000</u>	<u>34,000</u>
Endowments:		
Permanently restricted to general endowment	<u>235,907</u>	<u>232,612</u>
Total net assets with donor restrictions	<u>\$ 244,775</u>	<u>\$ 280,290</u>

Note 10 - Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions	<u>\$ -</u>	<u>\$ 57,520</u>
Satisfaction of purpose restrictions		
Educational programs	<u>10,000</u>	<u>11,000</u>
	<u>\$ 10,000</u>	<u>\$ 68,520</u>

Note 11 - Endowment Fund

A2SF treats monies received as endowments as net assets with donor restrictions at the fair market value of the initial contribution. Net income from these endowments may be spent as A2SF sees fit with the current policy that the distributions are limited to 4.5% of the average value of the endowment balance over the previous seven years, with no distributions to be made until the combined endowment accounts reach \$500,000. Endowments are invested with the objective of achieving a long-term growth of principal and income using the following investment vehicles - equity securities, mutual funds, fixed income securities (maturities longer than one year) and cash equivalents (maturities less than one year) and using targeted allocations between these vehicles with, at minimum, annual rebalancing to maintain the strategic allocation goals.

The endowment funds are invested in a checking account, money market account, and in mutual funds. These amounts are listed in the

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statement of financial position other assets section as restricted cash and restricted investments.

The endowment net asset composition by type of fund as of September 30, 2022 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment corpus	\$ -	\$ 235,907	\$ 235,907
Endowment earnings	68,336	-	68,336
	<u>\$ 68,336</u>	<u>\$ 235,907</u>	<u>\$ 304,243</u>

The changes in endowment net assets for the year ended September 30, 2022 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 136,235	\$ 232,612	\$ 368,847
Contributions	-	3,295	3,295
Investment income	5,924	-	5,924
Unrealized loss	(73,823)	-	(73,823)
End of year	<u>\$ 68,336</u>	<u>\$ 235,907</u>	<u>\$ 304,243</u>

The endowment net asset composition by type of fund as of September 30, 2021 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment corpus	\$ -	\$ 232,612	\$ 232,612
Endowment earnings	136,235	-	136,235
	<u>\$ 136,235</u>	<u>\$ 232,612</u>	<u>\$ 368,847</u>

The changes in endowment net assets for the year ended September 30, 2021 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning of year	\$ 73,108	\$ 231,228	\$ 304,336
Contributions	-	1,384	1,384
Investment income	2,959	-	2,959
Unrealized gain	60,168	-	60,168
End of year	<u>\$ 136,235</u>	<u>\$ 232,612</u>	<u>\$ 368,847</u>

Return Objectives and Risk Parameters

A2SF has adopted a policy to invest with the objective of achieving long-term growth of principal and income to support current projects of A2SF.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, A2SF's return objective is a mix of the following investment vehicles: equity securities, mutual funds, fixed income securities (maturities longer than one year) and cash equivalents (maturities less than one year) and using targeted allocations between these vehicles with, at minimum, annual rebalancing to maintain strategic allocation goals.

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Spending Policy and How the Investment Objectives Relate to Spending Policy

A2SF's finance committee will review annually and recommend a spending percentage as available according to the endowment balances and terms of use.

Note 12 - Retirement Plan

A2SF participates in a collective bargaining agreement with Local 395 of IATSE (International Alliance of Theatrical Stage of Employees) for performing artist services which represent approximately 1 percent of the total salaries incurred for each reported year.

A2SF contributes to the IATSE National Benefits Funds on behalf of applicable union employees. The pension and welfare contribution amounts are based on a set pay schedule. Amounts contributed for the years ended September 30, 2022 and 2021 were approximately \$1,640 and \$406, respectively.

A2SF maintains a 403(b) tax deferred annuity plan and a 457(b) deferred compensation plan for eligible employees not covered by the above plan. The contributions to the plans amounted to \$0 for both year September 30, 2022 and 2021, respectively.

Note 13 - Operating Lease

A2SF is renting office space at 210 Huronview, Ann Arbor, MI 48103. The current lease expires September 30, 2022. Future lease payments consist of the following:

2023	<u>\$ 21,000</u>
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Lease expense for 2022 and 2021 was \$20,500 and \$19,800, respectively which consisted solely of minimum rentals and no contingent rentals or sublease rental income.

Note 14 - Related Party Transactions

The Board of Directors and the Executive Committee of Ann Arbor Summer Festival, Inc. include members who are employees and/or directors/trustees of the University of Michigan or the City of Ann Arbor. These entities serve A2SF in the following capacities.

The University of Michigan provided financial support to A2SF in the amount of \$0 and \$29,000 for September 30, 2022 and 2021, respectively. The University of Michigan had granted \$29,000 per year for five years beginning fiscal year 2017 and ending fiscal year 2021. The grant is recorded as a promise to give with receipt of funds as the expenses are incurred, and reimbursement is requested through the end of the grant period. A2SF contracted with the University of Michigan for various services provided during the festival including, but not limited to, production offices, venue and equipment rentals, telephone, internet, event security, grounds, waste management, physical plant, and film services of which totaled approximately \$0 and \$2,616 for each year, respectively. Amounts due at year-end for these services and reflected in accounts payable were \$0 for both September 30, 2022 and 2021.

The City of Ann Arbor provided financial support to A2SF in the amount of \$42,000 and \$31,000 for September 30, 2022 and 2021, respectively. In-kind services the City of Ann Arbor and The Downtown Development Authority provided included, but were not limited to, licenses, street closures, barricades, and parking during the festival that totaled approximately \$425 and \$0 for each year, respectively.

O & W Distributors provided financial support to A2SF in the amount of \$35,500 and \$8,500 for September 30, 2022 and 2021, respectively. A2SF purchased beverages from O & W Distributors that totaled approximately \$33,741 and \$0 for each year, respectively.

A2SF purchased goods for festival merchandise from Underground

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Printing in the amount of \$9,854 and \$0 for September 30, 2022 and 2021, respectively.

Note 15 - Concentration

Grant income is made up of four main grantors, each contributing approximately 3-44% of total grant income recognized in fiscal year 2022. For fiscal year 2021, there were four major grantors, each contributing approximately 6-37% of total grant income.

Note 16 - Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended September 30, 2022 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Services	\$ 34,381	Various Services	No associated donor restrictions	Contributed services from accountants valued at \$3,006; Digital Marketing Support valued at \$6,500; Branding services valued at \$20,000; Artist Performance valued at \$3,000; Catering valued at \$400; Production services valued at \$500; Lighting services valued at \$550; City services valued at \$425

Contributed nonfinancial assets for the year ended September 30, 2021 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Services	\$ 21,119	Various Services	No associated donor restrictions	Contributed services from accountants valued at \$913; Branding services valued at \$20,000