

Ann Arbor Summer Festival, Inc.

Financial Statements

September 30, 2023

(With Summarized Comparative Information for 2022)



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7
Notes to the Financial Statements	8

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, 2023, 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, 2023, 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.

Correction of Error

As discussed in Note 15 to the financial statements, accounts payable and related expenses were corrected for the fiscal year ended September 30, 2022. Our opinion is not modified with respect to that matter.

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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2023. In our opinion, with the exception of the matter discussed in Note 15, the summarized comparative information presented herein, as of and for the year ended September 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
January 16, 2024

Ann Arbor Summer Festival, Inc.
Statement of Financial Position
September 30, 2023
(With Summarized Comparative Information for 2022)

	<u>2023</u>	<u>(Restated)</u> <u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 90,541	\$ 105,276
Accounts receivable	14,354	-
Promises to give, current portion	239,375	10,712
Prepaid expenses	<u>1,400</u>	<u>2,000</u>
Total current assets	<u>345,670</u>	<u>117,988</u>
Noncurrent assets		
Restricted cash	304	249
Restricted investments	360,313	303,994
Promises to give, net of current portion	100,000	2,500
Property and equipment, net	<u>45,944</u>	<u>54,415</u>
Total noncurrent assets	<u>506,561</u>	<u>361,158</u>
Total assets	<u>\$ 852,231</u>	<u>\$ 479,146</u>

See Accompanying Notes to the Financial Statements

Ann Arbor Summer Festival, Inc.
Statement of Financial Position
September 30, 2023
(With Summarized Comparative Information for 2022)

	2023	(Restated) 2022
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 16,765	\$ 37,237
Accrued expenses	8,415	13,046
Total current liabilities	25,180	50,283
Net assets		
Without donor restrictions		
Undesignated	127,059	115,752
Board designated - endowment earnings	116,825	68,336
Total without donor restrictions	243,884	184,088
With donor restrictions		
Purpose restrictions	-	3,868
Time-restricted for future periods	339,375	5,000
Endowment corpus	243,792	235,907
Total with donor restrictions	583,167	244,775
Total net assets	827,051	428,863
Total liabilities and net assets	\$ 852,231	\$ 479,146

See Accompanying Notes to the Financial Statements

Ann Arbor Summer Festival, Inc.
Statement of Activities
For the Year Ended September 30, 2023
(With Summarized Comparative Information for 2022)

	Without donor restrictions	With donor restrictions	2023	(Restated) 2022
Revenue, support and gains (losses)				
Ticketed series sales	\$ 649,765	\$ -	\$ 649,765	\$ 74,148
Top of the Park sales	272,181	-	272,181	277,095
Contributions	315,583	69,835	385,418	329,404
Sponsorships	217,750	-	217,750	236,250
Grants	134,489	358,026	492,515	295,069
Contributions of nonfinancial assets	70,537	-	70,537	34,801
Other revenue	2,246	-	2,246	3,300
Interest and dividend income	9,412	-	9,412	6,262
Realized loss on uncollectible promises to give	-	-	-	(29,000)
Unrealized gain (loss) on investments	41,603	-	41,603	(73,823)
Loss on disposal of property and equipment	(94)	-	(94)	-
Net assets released from restrictions	89,469	(89,469)	-	-
	<u>1,802,941</u>	<u>338,392</u>	<u>2,141,333</u>	<u>1,153,506</u>
Total revenue, support and gains (losses)				
Expenses				
Program services	1,310,261	-	1,310,261	945,554
Support				
Management and general	323,061	-	323,061	332,714
Fundraising	109,823	-	109,823	115,076
Total support	432,884	-	432,884	447,790
Total expenses	1,743,145	-	1,743,145	1,393,344
Change in net assets	59,796	338,392	398,188	(239,838)
Net assets - beginning of year, as restated	184,088	244,775	428,863	668,701
Net assets - end of year	<u>\$ 243,884</u>	<u>\$ 583,167</u>	<u>\$ 827,051</u>	<u>\$ 428,863</u>

See Accompanying Notes to the Financial Statements

Ann Arbor Summer Festival, Inc.
Statement of Cash Flows
For the Year Ended September 30, 2023
(With Summarized Comparative Information for 2022)

	<u>2023</u>	<u>(Restated) 2022</u>
Cash flows from operating activities		
Change in net assets	\$ 398,188	\$ (239,838)
Items not requiring cash		
Depreciation	13,089	13,244
Realized loss on uncollectible promises to give	-	29,000
Change in unamortized discount	2,960	-
Loss on disposal of property and equipment	94	-
Unrealized (gain) loss on investments	(41,603)	73,823
Changes in operating assets and liabilities		
Accounts receivable	(14,354)	-
Promises to give	(329,123)	17,324
Prepaid expenses	600	1,050
Accounts payable	(20,472)	25,869
Accrued expenses	(4,631)	(17,272)
Deferred revenue	-	(15,000)
Advance refunding	-	(10,000)
Net cash provided (used) by operating activities	<u>4,748</u>	<u>(121,800)</u>
Cash flows from investing activities		
Purchases of investments	(14,716)	(9,120)
Purchases of property and equipment	<u>(4,712)</u>	<u>(58,224)</u>
Net cash used by investing activities	<u>(19,428)</u>	<u>(67,344)</u>
Net change in cash, cash equivalents, and restricted cash	<u>(14,680)</u>	<u>(189,144)</u>
Cash, cash equivalents, and restricted cash - beginning of year	<u>105,525</u>	<u>294,669</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 90,845</u>	<u>\$ 105,525</u>
Cash, cash equivalents, and restricted cash		
Cash and cash equivalents	\$ 90,541	\$ 105,276
Restricted cash	<u>304</u>	<u>249</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 90,845</u>	<u>\$ 105,525</u>

See Accompanying Notes to the Financial Statements

Ann Arbor Summer Festival, Inc.
Statement of Functional Expenses
For the Year Ended September 30, 2023
(With Summarized Comparative Information for 2022)

	Program Services	Management and General	Fundraising	Total	
				2023	(Restated) 2022
Salaries and related costs					
Salaries and wages	\$ 265,832	\$ 76,591	\$ 84,816	\$ 427,239	\$ 446,079
Payroll taxes	23,437	5,824	6,562	35,823	39,426
Employee benefits	24,748	6,743	9,635	41,126	37,314
Total salaries and related costs	314,017	89,158	101,013	504,188	522,819
Advertising and marketing	15,055	84,785	-	99,840	131,281
Cost of goods sold	57,326	-	-	57,326	88,450
Depreciation	-	13,089	-	13,089	13,244
Dues and subscriptions	196	3,788	-	3,984	8,077
Equipment rental and maintenance	72,876	6,939	-	79,815	80,768
Insurance	24,044	17,578	-	41,622	29,794
Miscellaneous	19,545	5,713	-	25,258	18,165
Operating supplies	6,782	14,157	-	20,939	22,949
Printing and postage	639	3,563	8,810	13,012	19,248
Production services and contractors	731,336	-	-	731,336	290,689
Professional services	1,600	57,549	-	59,149	61,010
Rent	10,553	21,050	-	31,603	22,300
Taxes and licenses	6,113	-	-	6,113	11,989
Telephone and internet	319	2,827	-	3,146	4,564
Travel	9,042	-	-	9,042	18,715
Utilities	40,818	2,865	-	43,683	49,282
Total expenses	\$ 1,310,261	\$ 323,061	\$ 109,823	\$ 1,743,145	\$ 1,393,344

See Accompanying Notes to the Financial Statements

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

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, 2022 is presented for comparative purposes is not intended to be a complete financial statement presentation.

Reclassification

Certain amounts within the statement of financial position and statement of functional expenses in the 2022 financial statements have been reclassified to conform to the 2023 presentation. Net assets and changes in net assets are unchanged due to these reclassifications. Footnotes related to those amount have also been changed to matched the 2023 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, 2023 \$250,000 of cash and cash equivalents was insured by the FDIC and \$142,762 was uninsured.

Restricted 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

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

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.

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 along with the Rosalie Edwards Vibrant Ann Arbor Fund 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 endowments, not to exceed the available balance. A2SF received disbursements of \$9,190 and \$2,460 during the years ended September 30, 2023 and 2022, 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 \$273,229 and \$111,213 as of September 30, 2023 and 2022.

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

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization's policy is to utilize, rather than monetize, donated services and goods.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

Advertising

A2SF expenses advertising costs the first time the advertising occurs. Advertising expense for the years ended September 30, 2023 and 2022 was \$99,840 and \$131,281, 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 presents 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 January 16, 2024, which is the date the financial statements were available to be issued.

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 90,845	\$ 105,525
Investments	360,313	303,994
Accounts Receivable	14,354	-
Promises to give	<u>339,375</u>	<u>13,212</u>
Total financial assets - end of year	804,887	422,731
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	(583,167)	(244,775)
Board designations:		
Endowment earnings, primarily for long-term investing	<u>(116,825)</u>	<u>(68,336)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 104,895</u>	<u>\$ 109,620</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>2023</u>	<u>2022</u>
Promises to give	<u>\$ 339,375</u>	<u>\$ 13,212</u>
Amounts due in		
2024	\$ 242,335	
2025	<u>100,000</u>	
	342,335	
Less discount to net present value	<u>(2,960)</u>	
	<u>\$ 339,375</u>	

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

	<u>2023</u>	<u>2022</u>
Balance beginning of the year	\$ 13,212	\$ 59,536
New pledges	415,950	
Less collections	(86,827)	(17,324)
Less uncollectible pledges	-	(29,000)
Change in discount to fair value of pledges, reported in the gain (loss)	<u>(2,960)</u>	<u>-</u>
Balance end of the year	<u>\$ 339,375</u>	<u>\$ 13,212</u>

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

Note 4 - Revenue from Contracts with Customers

The following summarizes revenue by type for the year ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers	\$ 921,946	\$ 351,243
Contributions	385,418	329,404
Sponsorship	217,750	236,250
Grants	492,515	295,069
In-kind contributions	70,537	34,801
Other revenue	2,246	3,300
Interest and dividend income	9,412	6,262
Realized loss on uncollectible promises to give	-	(29,000)
Loss on disposal	(94)	-
Unrealized gain (loss) on investments	<u>41,603</u>	<u>(73,823)</u>
Total revenue	<u>\$ 2,141,333</u>	<u>\$ 1,153,506</u>

The revenue from contracts with customers for the year ended September 30, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
Revenue earned at a point in time	<u>\$ 921,946</u>	<u>\$ 351,243</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, 2023</u>	<u>September 30, 2022</u>	<u>October 1, 2021</u>
Accounts receivable	<u>\$ 14,354</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000</u>

There were no changes in judgments related to revenue recognition for the years ended September 30, 2023 and 2022.

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, 2023
(With Summarized Comparative Information for 2022)

Note 5 - Restricted 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>2023</u>	<u>2022</u>
Money market funds	\$ 66	\$ 3,210
Bond funds	87,156	83,346
Mutual funds	<u>273,091</u>	<u>217,438</u>
 Total investments	 <u>\$ 360,313</u>	 <u>\$ 303,994</u>

Investment income is composed of the following at September 30:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 9,412	\$ 6,262
Unrealized gain (loss) on investments	<u>41,603</u>	<u>(73,823)</u>
	<u>\$ 51,015</u>	<u>\$ (67,561)</u>

Note 6 - Property and Equipment

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

	<u>2023</u>	<u>2022</u>	<u>Estimate Useful Life</u>
Office equipment	\$ 21,691	\$ 23,670	3-7 years
Production equipment	<u>187,801</u>	<u>183,089</u>	3-7 years
	209,492	206,759	
 Less: accumulated depreciation	 <u>(163,548)</u>	 <u>(152,344)</u>	
	<u>\$ 45,944</u>	<u>\$ 54,415</u>	

Note 7 - Line of Credit

The Organization has an unsecured line of credit arrangement with Bank of Ann Arbor totaling \$100,000. This arrangement provides for borrowing amounts for short-term use at prime plus 8.5%. While the line of credit was available for use, there were no borrowings during the year. The Organization has another unsecured line of credit arrangement with PNC bank totaling \$50,000. This arrangement provides for borrowing amounts for short-term use at 13.0%. While the line of credit was available for use, there were no borrowings during the year.

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

Note 8 - Board Designated Net Assets

The Board of Directors of A2SF has voluntarily designated \$116,825 and \$68,336 as of September 30, 2023 and 2022, respectively, whose purpose is to be held as corpus in the endowment fund until the endowment reaches its investment goal.

Note 9 - Net Assets With Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose:		
Summer internships	\$ -	\$ 3,868
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due		
2023	239,375	2,500
2024	100,000	2,500
	339,375	5,000
Endowments:		
Permanently restricted to general endowment	243,792	235,907
Total net assets with donor restrictions	\$ 583,167	\$ 244,775

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, 2023 and 2022:

	2023	2022
Expiration of time restrictions	\$ 81,575	\$ -
Satisfaction of purpose restrictions		
Educational programs	7,894	10,000
	\$ 89,469	\$ 10,000

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

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

The endowment net asset composition by type of fund as of September 30, 2023 is as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment corpus	\$ -	\$ 243,792	\$ 243,792
Endowment earnings	116,825	-	116,825
	<u>\$ 116,825</u>	<u>\$ 243,792</u>	<u>\$ 360,617</u>

The changes in endowment net assets for the year ended September 30, 2023 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Beginning of year	\$ 68,336	\$ 235,907	\$ 304,243
Contributions	-	7,885	7,885
Investment income	6,886	-	6,886
Unrealized gain	41,603	-	41,603
End of year	<u>\$ 116,825</u>	<u>\$ 243,792</u>	<u>\$ 360,617</u>

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

	Without Donor Restriction	With Donor Restrictions	Total
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:

	Without Donor Restriction	With Donor Restrictions	Total
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>

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.

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

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, 2023 and 2022 were approximately \$4,921 and \$1,640, 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 years September 30, 2023 and 2022, respectively.

Note 13 - 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 \$329,000 and \$0 for September 30, 2023 and 2022, respectively. The University of Michigan has granted \$100,000 per year for three years beginning fiscal year 2023 and ending fiscal year 2025. They also received a onetime payment of \$29k in the current

fiscal year. 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 \$76,575 and \$0 for each year, respectively. Amounts due at year-end for these services and reflected in accounts payable were \$0 for both September 30, 2023 and 2022.

O & W Distributors provided financial support to A2SF in the amount of \$18,000 and \$35,500 for September 30, 2023 and 2022, respectively. They also provided in-kind gifts of \$6,000 in the current fiscal year for trailer usage, there was no in-kind for the previous year. A2SF purchased beverages from O & W Distributors that totaled approximately \$25,486 and \$33,741 for each year, respectively.

The Bank of Ann Arbor provided financial support in the form of sponsorship income to A2SF in the amount of \$6,000 and \$0 for September 30, 2023 and 2022, respectively.

Reinhardt Realtors provided financial support in the form of sponsorship income to A2SF in the amount of \$8,367 and \$0 for September 30, 2023 and 2022, respectively.

Zingermans provided financial support in the form of sponsorship income to A2SF in the amount of \$5,000 and \$0 for September 30, 2023 and 2022, respectively.

A2SF purchased Advertising with Adwords form Google in the amount of \$4,893 and \$0 for September 30, 2023 and 2022, respectively.

Ann Arbor Summer Festival, Inc.
Notes to the Financial Statements
September 30, 2023
(With Summarized Comparative Information for 2022)

Note 14 - Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended September 30, 2023 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Rental space	\$ 7,500	Use for A2SF kickoff event/ fundraiser	Use for festival party	Cost provided by vendor
Goods	3,937	Signed A2SF poster, snowcone/popcorn coupons, silent auction items, A2SF t-shirts	No associated donor restrictions	Value of frame and estimate sale in future silent auction event, equal to public menu cost of items, value equal to MSRP and/or face value of each item; cost provided by vendor
Equipment	6,000	Cold storage trailers for A2SF	No associated donor restrictions	Provided by vendor
Travel	1,300	Employee travel to industry conference	Used for Travel for conference	Point value estimated by donor/ credit card redemption site for travel
Services	500	Salary donation	No associated donor restrictions	Voiding salary check
Services	3,000	Digital Marketing Support	No associated donor restrictions	Cost provided by service firm
Services	20,000	Creative/Branding	No associated donor restrictions	Cost provided by service firm
Services	28,300	Bagged parking from DDA	No associated donor restrictions	Posted meter rate; value provided by donor
Volunteer services	-	Volunteer hours to support programming/events	No associated donor restrictions	Criteria for recording revenue are not met; approximately 2,745 man hours were donated with 235 individual volunteers
	<u>\$ 70,537</u>			

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	\$ 2,876	Accounting	No associated donor restrictions	Cost provided by service firm
Services	6,500	Digital Marketing Support	No associated donor restrictions	Cost provided by service firm
Services	20,000	Branding and marketing	No associated donor restrictions	Cost provided by service firm
Services	3,000	Artist performance	No associated donor restrictions	Cost provided by vendor
Services	2,425	Catering, production, lighting, and parking	No associated donor restrictions	Cost provided by respective vendor
	<u>\$ 34,801</u>			

Note 15 - Correction of Error

A2SF did not accrue certain expenses at September 30, 2022. Management has corrected the understatement by posting the correction of \$28,285. Accounts payable was increased from \$8,952 to \$37,237 and production expenses was increased from \$262,404 to \$290,689. The changed decreased net assets from \$457,157 to \$428,863 at September 30, 2022.