

**Ann Arbor Summer Festival, Inc.**

**Financial Statements**

**September 30, 2019**

**(With Summarized Comparative Information for 2018)**



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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Ann Arbor Summer Festival, Inc. which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

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, 2019, 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.

## Adoption of New Accounting Standards

As described in Note 2 to the financial statements, Ann Arbor Summer Festival, Inc. changed its method of accounting for net assets, investment expense, and functional expenses in 2019 as required by the provisions of FASB Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

## Report on Summarized Comparative Information

We have previously audited the Ann Arbor Summer Festival, Inc. 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 25, 2019. In our opinion, the summarized comparative information presented herein, with the exception of the matter discussed in Note 1, as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan  
May 29, 2020

**Ann Arbor Summer Festival, Inc.**  
**Statement of Financial Position**  
**September 30, 2019**  
**(With Summarized Comparative Information for 2018)**

	2019	2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 103,980	\$ 206,858
Grants receivable	5,988	40,553
Promises to give, current portion	51	663
Prepaid expenses	5,228	17,888
Total current assets	115,247	265,962
Noncurrent assets		
Restricted cash	150	2,470
Restricted investments	252,325	186,364
Promises to give, net of current portion	-	2,500
Property and equipment, net	13,117	15,668
Total noncurrent assets	265,592	207,002
<b>Total assets</b>	<b>\$ 380,839</b>	<b>\$ 472,964</b>

See Accompanying Notes to the Financial Statements

**Ann Arbor Summer Festival, Inc.**  
**Statement of Financial Position**  
**September 30, 2019**  
**(With Summarized Comparative Information for 2018)**

	2019	2018
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 49,820	\$ 31,343
Accrued expenses	11,333	3,936
Deferred revenue	-	1,000
	61,153	36,279
 Net assets		
Without donor restrictions		
Undesignated	33,690	204,330
Endowment Earnings	47,362	35,601
	81,052	239,931
 With donor restrictions		
Purpose restrictions	33,521	43,521
Endowment Corpus	205,113	153,233
	238,634	196,754
 Total net assets	319,686	436,685
 <b>Total liabilities and net assets</b>	<b>\$ 380,839</b>	<b>\$ 472,964</b>

See Accompanying Notes to the Financial Statements

**Ann Arbor Summer Festival, Inc.**  
**Statement of Activities**  
**For the Year Ended September 30, 2019**  
**(With Summarized Comparative Information for 2018)**

	Without donor restrictions	With donor restrictions	<b>2019</b>	2018
<b>Revenue, support and gains (losses)</b>				
Mainstage series sales	\$ 170,047	\$ -	\$ 170,047	\$ 261,599
Top of the Park sales	348,354	-	348,354	339,545
Contributions	455,148	51,880	507,028	458,868
Grants	143,320	-	143,320	143,931
In-kind contributions	160,423	-	160,423	185,464
Advertising sales	3,500	-	3,500	3,250
Other revenue	3,238	-	3,238	4,837
Interest and dividend income	6,946	-	6,946	4,001
Realized gain on investments	1,701	-	1,701	1,514
Unrealized gain on investments	5,701	-	5,701	9,573
Loss on disposal of property and equipment	-	-	-	(159)
Net assets released from restrictions	10,000	(10,000)	-	-
Total revenue, support and gains (losses)	<u>1,308,378</u>	<u>41,880</u>	<u>1,350,258</u>	<u>1,412,423</u>
<b>Expenses</b>				
Program services	<u>1,080,948</u>	<u>-</u>	<u>1,080,948</u>	<u>1,103,943</u>
Support				
Management and general	286,801	-	286,801	237,874
Fundraising	99,508	-	99,508	120,647
Total support	<u>386,309</u>	<u>-</u>	<u>386,309</u>	<u>358,521</u>
Total expenses	<u>1,467,257</u>	<u>-</u>	<u>1,467,257</u>	<u>1,462,464</u>
<b>Change in net assets</b>	(158,879)	41,880	(116,999)	(50,041)
Net assets - beginning of year	<u>239,931</u>	<u>196,754</u>	<u>436,685</u>	<u>486,726</u>
<b>Net assets - end of year</b>	<u>\$ 81,052</u>	<u>\$ 238,634</u>	<u>\$ 319,686</u>	<u>\$ 436,685</u>

See Accompanying Notes to the Financial Statements

**Ann Arbor Summer Festival, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2019**  
**(With Summarized Comparative Information for 2018)**

	2019	2018
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (116,999)	\$ (50,041)
Items not requiring cash		
Depreciation	5,312	6,640
Loss on disposal of property and equipment	-	159
Unrealized gain on investments	(5,701)	(9,573)
Realized gain on investments	(1,701)	(1,514)
Changes in operating assets and liabilities		
Grants receivable	34,565	(26,353)
Promises to give	3,112	14,087
Prepaid expenses	12,660	1,107
Accounts payable	18,477	3,254
Accrued expenses	7,397	1,319
Deferred revenue	(1,000)	1,000
Net cash used by operating activities	(43,878)	(59,915)
<b>Cash flows from investing activities</b>		
Purchases of investments	(58,559)	(25,275)
Purchases of property and equipment	(2,761)	(2,867)
Net cash used by investing activities	(61,320)	(28,142)
Net change in cash and cash equivalents	(105,198)	(88,057)
Cash and cash equivalents - beginning of year	209,328	297,385
<b>Cash and cash equivalents- end of year</b>	<b>\$ 104,130</b>	<b>\$ 209,328</b>
<b>Supplemental cash flow information</b>		
<b>Cash on the Statement of Financial Position shown as:</b>		
Cash and cash equivalents (current)	\$ 103,980	\$ 206,858
Restricted cash	150	2,470
Total current and restricted cash	<b>\$ 104,130</b>	<b>\$ 209,328</b>

See Accompanying Notes to the Financial Statements

**Ann Arbor Summer Festival, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2019**  
**(With Summarized Comparative Information for 2018)**

	Program	Management	Fundraising	Total	
	Services	and General		2019	2018
Salaries and related costs					
Salaries and wages	\$ 243,683	\$ 51,337	\$ 75,844	\$ 370,864	\$ 368,215
Payroll taxes	25,254	4,053	5,562	34,869	36,025
Employee benefits	31,694	23,333	-	55,027	32,466
Total salaries and related costs	300,631	78,723	81,406	460,760	436,706
Printing and postage	19,261	1,752	13,556	34,569	32,357
Insurance	15,171	24,918	-	40,089	23,030
Utilities	49,118	2,284	-	51,402	29,642
Operating supplies	14,652	-	-	14,652	19,529
Equipment rental and maintenance	76,370	1,811	-	78,181	86,337
Molly arts education - intern	10,481	-	-	10,481	-
Festival footprint	15,765	-	-	15,765	-
Telephone and internet	-	3,563	-	3,563	3,314
Computer maintenance	-	8,822	-	8,822	8,697
Office supplies	-	2,282	-	2,282	2,656
Professional services	-	32,864	-	32,864	35,103
Books, subscriptions	574	5,661	-	6,235	7,709
Visual arts	1,300	-	-	1,300	4,187
Cost of goods sold	61,323	11,042	-	72,365	75,957
Artist fees	233,593	-	-	233,593	232,285
Production services and contractors	75,392	100	-	75,492	58,908
Other production costs	1,477	347	-	1,824	10,410
Taxes and licenses	9,692	396	-	10,088	8,828
Professional development	-	5,825	-	5,825	2,157
Design fees	20,000	-	-	20,000	20,000
Rent	16,120	18,585	-	34,705	79,220
Artist hotels	11,088	-	-	11,088	16,093
Box office	9,687	-	-	9,687	3,653
Artist travel	11,871	-	-	11,871	3,861
Credit card and bank fee	8,017	3,046	-	11,063	13,513
Security	36,352	-	-	36,352	34,308
Cultivation	440	8,516	-	8,956	11,555
Miscellaneous	137	-	4,546	4,683	10,044
Advertising	82,436	70,952	-	153,388	185,765
Depreciation	-	5,312	-	5,312	6,640
Total expenses	\$ 1,080,948	\$ 286,801	\$ 99,508	\$ 1,467,257	\$ 1,462,464

See Accompanying Notes to the Financial Statements

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2019**  
**(With Summarized Comparative Information for 2018)**

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**Note 1 - Summary of Significant Accounting Policies**

**Nature of Activities**

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

The Organization 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 statements of activities as net assets released from restrictions.

**Comparative Financial Information**

The financial information for the year September 30, 2018 is presented for comparative purposes is not intended to be a complete financial statement presentation.

**Cash and Cash Equivalents**

The Festival considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents. The entire bank balance of \$109,229 was insured by the FDIC.

**Investments**

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

The Festival 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**  
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**Grants Receivable**

The Festival holds various types of receivables – accounts receivable related to Festival operations, grant and sponsorship receivables, as well as contribution receivables (pledges, i.e. promises to give). The Festival 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, 2019 and 2018.

**Promises to Give**

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

The Festival 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**

The Festival 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.

The Festival 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 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 as net assets are reported when the long-lived assets are placed in service.

**Beneficial Interest in Assets Held by Others**

The Festival has previously established an endowment held and managed by the Ann Arbor Area Community Foundation ("Foundation"). The Festival is eligible to receive distributions based on earnings on the average balance of the endowment, not to exceed the available balance. The Festival received disbursements of \$0 and \$1,406 during the years ended September 30, 2019 and 2018, 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.

**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 \$160,423 and \$185,464 for September 30, 2019 and 2018, respectively.

**Advertising**

The Festival expenses advertising costs the first time the advertising occurs. Advertising expense for the years ended September 30, 2019 and 2018 was \$153,388 and \$185,765, 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 statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
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allocated among the programs and supporting services benefited such as salaries and related expenses.

**Income Tax Status**

The Festival is qualified as a tax-exempt Festival 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). The Festival files information returns in the U.S. Federal and Michigan jurisdiction.

**Risks and Uncertainties**

The Festival 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.

**Subsequent Events**

Management has evaluated subsequent events through May 29, 2020, which is the date the financial statements were available to be issued.

**Change in Accounting Principle**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addressed the complexity and understandability of net asset classification, deficiencies in information

about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Festival has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**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:

Cash and cash equivalents	\$ 103,980
Accounts receivable	5,988
Promises to give	<u>51</u>
	<u><u>110,019</u></u>

The Organization'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. The Organization has a \$50,000 line of credit available to meet cash flow needs.

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2019**  
**(With Summarized Comparative Information for 2018)**

**Note 3 - Promises to Give**

Promises to give are scheduled to be collected as follows:

	<u>2019</u>	<u>2018</u>
Promises to give	<u>\$ 51</u>	<u>\$ 3,163</u>
Amounts due in 2020	<u>\$ 51</u>	

**Note 4 - Grants Receivable**

The Festival had the following grants receivable as of September 30:

	<u>2019</u>	<u>2018</u>
National Endowment for the Arts	\$ -	\$ 35,000
Michigan Council for Arts and Cultural Affairs	<u>4,800</u>	<u>5,553</u>
	<u>\$ 4,800</u>	<u>\$ 40,553</u>

**Note 5 - Investments**

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

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 110	\$ 269
Bond funds	67,502	-
Mutual funds	<u>184,713</u>	<u>186,095</u>
Total investments	<u>\$ 252,325</u>	<u>\$ 186,364</u>

Investment income is composed of the following at September 30:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 6,946	\$ 4,001
Realized gain on investments	1,701	1,514
Unrealized gain on investments	<u>5,701</u>	<u>9,573</u>
	<u>\$ 14,348</u>	<u>\$ 15,088</u>

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
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**Note 6 - Property and Equipment**

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

	<u>2019</u>	2018	Estimate Useful Life
Office Equipment	\$ 29,722	\$ 30,692	3-7 years
Production Equipment	<u>134,238</u>	<u>135,737</u>	3-7 years
	<b>163,960</b>	166,429	
Less: accumulated depreciation	<u>(150,843)</u>	<u>(150,761)</u>	
	<u><b>\$ 13,117</b></u>	<u>\$ 15,668</u>	

**Note 7 - Line of Credit**

The Festival has a line of credit arrangement totaling \$50,000. This arrangement provides for borrowing amounts for short-term use at a variable interest rate of 4.75%. While the line of credit was available for use, there were no borrowings during the year.

**Note 8 - Board Designated Net Assets**

The Board of Directors of the Festival has voluntarily designated \$47,362 and \$35,061 as of September 30, 2019 and 2018, 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:

	<u>2019</u>	2018
Subject to expenditure for specified purpose:		
Summer internships	\$ 33,521	\$ 40,358
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	-	3,163
	<u>-</u>	<u>3,163</u>
<b>Total net assets with donor restrictions</b>	<u><b>\$ 33,521</b></u>	<u>\$ 43,521</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, 2019 and 2018:

	<u>2019</u>	2018
Expiration of time restrictions	<u><b>\$ 10,000</b></u>	<u>\$ 24,087</u>

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
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**(With Summarized Comparative Information for 2018)**

**Note 11 - Endowment Fund**

The Festival 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 the Festival 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 statements 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, 2019 is as follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment Corpus	\$ -	\$ 205,113	\$ 205,113
Endowment Earnings	47,362	-	47,362
	<u>\$ 47,362</u>	<u>\$ 205,113</u>	<u>\$ 252,475</u>

The changes in endowment net assets for the year ended September 30, 2019 are as follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beginning of year	\$ 35,601	\$ 153,233	\$ 188,834
Contributions	-	51,880	51,880
Investment income	6,060	-	6,060
Unrealized gain (loss)	5,701	-	5,701
	<u>\$ 47,362</u>	<u>\$ 205,113</u>	<u>\$ 252,475</u>

The endowment net asset composition by type of fund as of September 30, 2018 is as follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment Corpus	\$ -	\$ 153,233	\$ 153,233
Endowment Earnings	35,601	-	35,601
	<u>\$ 35,601</u>	<u>\$ 153,233</u>	<u>\$ 188,834</u>

The changes in endowment net assets for the year ended September 30, 2018 are as follows:

	<b>Without Donor Restriction</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beginning of year	\$ 21,616	\$ 136,788	\$ 158,404
Contributions	-	16,445	16,445
Investment income	4,412	-	4,412
Unrealized gain (loss)	9,573	-	9,573
	<u>\$ 35,601</u>	<u>\$ 153,233</u>	<u>\$ 188,834</u>

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
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**(With Summarized Comparative Information for 2018)**

**Return Objectives and Risk Parameters**

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

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Festival'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.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

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

**Note 12 - Retirement Plan**

The Festival 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 7 percent of the total salaries incurred for each reported year.

The Festival 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, 2019 and 2018 were approximately \$8,572 and \$8,122, respectively.

The Festival 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, 2019 and 2018, respectively.

**Note 13 - Operating Lease**

The Festival 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:

	2020	\$	18,900
	2021		19,800
	2022		20,400
			20,400
		\$	59,100

Lease expense for 2019 and 2018 was \$18,585 and \$18,800, 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 the Festival in the following capacities.

The University of Michigan provided financial support to the Festival in the amount of \$29,000 for both September 30, 2019 and 2018, respectively. The University of Michigan has granted \$29,000 per year for five years beginning fiscal year 2017 and ending fiscal year 2021. The grant is recorded as expenses are incurred and reimbursement is requested through the end of the grant period. Also, the Festival 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

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2019**  
**(With Summarized Comparative Information for 2018)**

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services of which totaled approximately \$47,533 and \$56,984 for each year, respectively. Amounts due at year-end for these services were approximately \$12,314 and \$21,257, respectively, reflected in accounts payable.

The City of Ann Arbor provided financial support to the Festival in the amount of \$29,000 for each reported fiscal year. In-kind services the City of Ann Arbor and The Downtown Development Authority provided included, but were not limited to, street closures, barricades, and parking during the festival that totaled approximately \$43,872 and \$38,500 for each year, respectively.

**Note 15 - Concentration**

Grant income is made up of four main grantors, each contributing approximately 20-23% of total grant income recognized in fiscal year 2019. For fiscal year 2018, there were four major grantors, each contributing approximately 20-25% of total grant income.

**Note 16 - Subsequent Event – Coronavirus Pandemic**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts may include disruptions or restrictions on our employees' ability to work.