



**CLARK SCHAEFER HACKETT**  
BUSINESS ADVISORS

**Arts Council of Greater Lansing, Inc.**

Financial Statements

September 30, 2022 and 2021

with Independent Auditors' Report

## TABLE OF CONTENTS

Independent Auditors' Report .....	1-2
Financial Statements	
Statements of Financial Position .....	3
Statements of Activities.....	4-5
Statements of Functional Expenses .....	6-7
Statements of Cash Flows .....	8
Notes to the Financial Statements .....	9-17

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Arts Council of Greater Lansing, Inc.  
Lansing, Michigan

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Arts Council of Greater Lansing (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arts Council of Greater Lansing as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Arts Council of Greater Lansing and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arts Council of Greater Lansing'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 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 Arts Council of Greater Lansing'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 Arts Council of Greater Lansing'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.

*Clark, Schaefer, Hackett & Co.*

East Lansing, Michigan  
June 2, 2023

Arts Council of Greater Lansing, Inc.  
Statements of Financial Position  
September 30, 2022 and 2021

Assets	2022	2021
<b>Current assets</b>		
Cash and savings accounts	\$ 172,869	188,928
Grants receivable	69,105	33,711
Long-term investments appropriated for current use	13,000	26,000
Prepaid expenses	18,102	11,788
	273,076	260,427
<b>Other assets</b>		
Property and equipment, net	35,016	36,363
Long-term investments, net of current appropriation	499,387	613,493
Interest in assets held by foundation	995,818	1,245,010
	1,530,221	1,894,866
	\$ 1,803,297	2,155,293
 <b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,529	4,799
Accrued wages and related expenses	3,994	1,764
Accrued paid time off	14,677	7,144
Payroll taxes	1,603	1,948
Grants payable	221,672	137,216
Other accrued expenses	1,890	1,890
Paycheck Protection Program loan payable	-	34,492
	245,365	189,253
 <b>Net Assets</b>		
Without donor restrictions	1,519,622	1,924,452
With donor restrictions	38,310	41,588
	1,557,932	1,966,040
	\$ 1,803,297	2,155,293

See accompanying notes to the financial statements.

Arts Council of Greater Lansing, Inc.  
Statement of Activities  
Year Ended September 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Government grants	\$ 247,131	208,262	455,393
All other grants and contracts	162,238	-	162,238
Change in beneficial interest in assets held by foundation	42,317	-	42,317
Investment returns, net	3,901	-	3,901
Unrealized loss on investments	(363,080)	-	(363,080)
Contributions	19,668	-	19,668
Membership dues	6,957	-	6,957
Program service fees	40,526	-	40,526
Contributed services	21,250	-	21,250
Contributed materials	5,000	-	5,000
Interest income	6	-	6
Other income	341	-	341
Net assets released from restrictions	<u>211,540</u>	<u>(211,540)</u>	<u>-</u>
	<u>397,795</u>	<u>(3,278)</u>	<u>394,517</u>
Expenses:			
Program services	662,166	-	662,166
Supporting services:			
Management and general	91,616	-	91,616
Fundraising	<u>48,843</u>	<u>-</u>	<u>48,843</u>
	<u>802,625</u>	<u>-</u>	<u>802,625</u>
Change in net assets	(404,830)	(3,278)	(408,108)
Net assets at beginning of year	<u>1,924,452</u>	<u>41,588</u>	<u>1,966,040</u>
Net assets at end of year	\$ <u><u>1,519,622</u></u>	<u><u>38,310</u></u>	<u><u>1,557,932</u></u>

See accompanying notes to the financial statements.

Arts Council of Greater Lansing, Inc.  
Statement of Activities  
Year Ended September 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Government grants	\$ 201,012	41,588	242,600
All other grants and contracts	88,506	-	88,506
Change in beneficial interest in assets held by foundation	233,425	-	233,425
Investment returns, net	79,625	-	79,625
Contributions	9,571	-	9,571
Membership dues	11,158	-	11,158
Program service fees	28,443	-	28,443
Contributed services	24,650	-	24,650
Contributed materials	5,000	-	5,000
Interest income	4	-	4
Other income	11,380	-	11,380
Net Assets Released from Restriction	<u>6,355</u>	<u>(6,355)</u>	<u>-</u>
	<u>699,129</u>	<u>35,233</u>	<u>734,362</u>
Expenses:			
Program services	331,950	-	331,950
Supporting services:			
Management and general	78,532	-	78,532
Fundraising	<u>43,551</u>	<u>-</u>	<u>43,551</u>
	<u>454,033</u>	<u>-</u>	<u>454,033</u>
Change in net assets	245,096	35,233	280,329
Net assets at beginning of year	<u>1,679,356</u>	<u>6,355</u>	<u>1,685,711</u>
Net assets at end of year	\$ <u><u>1,924,452</u></u>	<u><u>41,588</u></u>	<u><u>1,966,040</u></u>

See accompanying notes to the financial statements.

Arts Council of Greater Lansing, Inc.  
Statement of Functional Expenses  
Year Ended September 30, 2022

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants - organizations	\$ 357,873	-	-	357,873
Grants - individuals	5,500	-	-	5,500
Salaries and wages	126,877	52,865	31,719	211,461
Pension and retirement	4,108	1,712	1,027	6,846
Employee benefits	5,812	2,422	1,453	9,686
Payroll taxes	9,038	3,766	2,260	15,064
Accounting	3,383	2,460	308	6,150
Consulting	-	2,528	9,511	12,039
Advertising and promotion	3,897	3,507	390	7,793
Office expenses	8,035	4,687	670	13,392
Computer and IT expenses	6,157	3,591	513	10,261
Occupancy costs	11,857	6,917	988	19,762
Travel	71	42	6	119
Arts events and conferences	20,406	1,074	-	21,480
Depreciation	337	1,010	-	1,347
Insurance	562	1,685	-	2,247
Miscellaneous expense	5	350	-	355
In-kind expense - services	18,250	3,000	-	21,250
In-kind expense - materials	5,000	-	-	5,000
	<u>\$ 662,166</u>	<u>91,616</u>	<u>48,843</u>	<u>802,625</u>

See accompanying notes to the financial statements.



Arts Council of Greater Lansing, Inc.  
Statement of Functional Expenses  
Year Ended September 30, 2021

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants - organizations	\$ 118,650	-	-	118,650
Grants - individuals	8,000	-	-	8,000
Salaries and wages	95,609	39,837	23,902	159,348
Pension and retirement	3,112	1,297	778	5,187
Employee benefits	4,831	2,013	1,208	8,052
Payroll taxes	7,552	3,147	1,888	12,587
Accounting	4,432	3,223	403	8,058
Consulting	-	3,423	12,879	16,302
Advertising and promotion	3,637	3,273	364	7,274
Office expenses	6,776	3,953	565	11,294
Computer and IT expenses	7,256	4,233	605	12,093
Occupancy costs	11,499	6,708	958	19,166
Travel	16	9	1	26
Arts events and conferences	33,037	1,739	-	34,776
Depreciation	337	1,011	-	1,348
Insurance	556	1,667	-	2,222
In-kind expense - materials	21,650	3,000	-	24,650
In-kind expense - services	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
	<u>\$ 331,950</u>	<u>78,532</u>	<u>43,551</u>	<u>454,033</u>

See accompanying notes to the financial statements.

Arts Council of Greater Lansing, Inc.  
 Statements of Cash Flows  
 Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Changes in net assets	\$ (408,108)	280,329
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,347	1,348
Net unrealized (gain) loss - interest in assets held by foundation	245,703	(233,425)
Net unrealized (gain) loss - investments	117,377	(79,625)
Changes in operating assets and liabilities:		
Grants receivable	(35,394)	13,996
Prepaid expenses	(6,314)	9,001
Accounts payable	(3,270)	1,188
Accrued wages and related expenses	2,230	(278)
Accrued paid time off	7,533	468
Payroll taxes	(345)	(4,587)
Grants payable	84,456	(35,471)
Paycheck Protection Program loan payable	(34,492)	(28,000)
Deferred revenue	-	(3,383)
Net cash used in operating activities	(29,277)	(78,439)
Cash flows from investing activities:		
Cash received from sale investments	177,548	181,904
Cash paid for purchase of investments	(167,819)	(107,366)
Change in assets held by foundation	3,489	-
Net cash provided by investing activities	13,218	74,538
Net change in cash accounts	(16,059)	(3,901)
Cash accounts at beginning of year	188,928	192,829
Cash accounts at end of year	\$ 172,869	188,928

See accompanying notes to the financial statements.

## **1. ORGANIZATION AND ACCOUNTING POLICIES:**

### **Organization**

The Arts Council of Greater Lansing, Inc. (Arts Council, Organization) is organized to benefit the people of the greater Lansing area by promoting artistic expression and appreciation, coordinating cultural development of the arts, facilitating communication among arts organizations, advocating for arts within the community, and providing facilities as a center for the arts. The Arts Council is organized as a not-for-profit charitable organization under section 501(c)(3) and, as such, is exempt from federal and state income taxes on its related activities.

### **Major program descriptions**

The Arts Council programs are grouped under three major program categories - Education and Professional Development, Arts Programming, and Arts Promotion and Advocacy.

Education and Professional Development consists of a multifaceted approach to supporting artists, students, and arts organizations throughout the community which provides professional development grants, group workshops, maintenance of online resources, and individual consultations and technical assistance.

Arts Programming provides art engagement opportunities for groups of all ages through temporary and permanent art installations throughout the region, sponsoring Arts Council exhibits, artists-in-residence in public schools, and scheduled events aimed at driving economic growth while fostering spontaneous creative experiences.

Arts Promotion and Advocacy spans several media outlets and community events. Endeavors include the 517 Art Search App, distributing print materials with lists of arts and cultural events, social media, website and mobile applications, and special events and fundraisers.

### **Basis of accounting and financial statement presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions are net assets that are subject to donor-imposed restrictions either for a specific use, duration, or both. When a time restriction expires or a use restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions would be available for subsequent years' activities.

### **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Advertising costs**

The Arts Council incurs advertising costs for print media and billboards related to program, management and general, and fundraising functions. These costs are expensed in the period in which the advertising first takes place.

### **Revenue, contributions, and receivables**

Revenue sources primarily include grants from state and local governments, non-profit and for-profit organizations, public contributions, and fees for services.

Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as revenues of the net assets without donor restrictions. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as revenues with donor restrictions. Contributions with donor restrictions whose restrictions are met in the same period as the contribution are reported within net assets without donor restrictions (see Note 10).

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization evaluates contributions for classification as conditional or unconditional. Unconditional contributions are reported as revenue and conditional contributions are reported as revenue only when all conditions have been met or the conditions have been explicitly waived by the donor and the right of return or right of release ceases to exist. Conditional contributions are reported as refundable advances on the statement of financial position until the contribution is recognized as revenue. There were no refundable advances as of September 30, 2022 and 2021.

Contributions and grants receivable that are expected to be collected within one year are recorded at their net realizable value. The Organization evaluates each receivable for collectability. All balances were determined to be collectible as of September 30, 2022 and 2021, therefore no allowances for uncollectible accounts has been recorded.

### **Contributed materials and services**

The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. Contributed materials and services that are recorded in the accompanying statements of activities represent a variety of services and materials used primarily for the Holiday Glitter, the Creative Placemaking Summit, and artist promotion.

In addition to the contributed materials and services which have been recorded in the financial statements, the Arts Council benefits from volunteers whose services do not meet the criteria for recognition according to accounting principles generally accepted in the United States of America. The estimated value of these volunteers is \$95,162 and \$123,136 for the years ended September 30, 2022 and 2021, respectively, and includes such services as board member meetings, grant review panels, interns, and fundraising event volunteers.

### **Deferred revenue**

Deferred revenue represents advance sponsorship receipts which have not yet been expended for an event to occur in the following fiscal year. There was no deferred revenue at September 30, 2022. At September 30, 2021, the majority of these receipts relate to the Creative Placemaking Summit held each October and the Holiday Glitter fundraiser held each December. Revenues and expenses related to these activities are reflected in the statements of activities in the period the event occurs.

**Property and equipment**

Leasehold improvements and equipment are capitalized at its cost basis when the purchase price exceeds \$5,000. If assets are contributed, they are capitalized at fair value if it is greater than \$5,000. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (see Note 2).

**Investment income and expenses**

Investments are carried at fair value (see Note 4), and investment income includes interest and dividends received and accrued, realized gains and losses, and unrealized gains and losses, net of direct expenses, all of which are reflected within investment returns, net, in the statements of activities.

**Beneficial interest in assets held by foundation**

The Arts Council accounts for assets that are contributed by the Arts Council to the Capital Region Community Foundation (CRCF) as an asset of the Arts Council if it has been specified as the beneficiary of those assets. All contributions of this type, and the activity associated with the asset held by CRCF, are reported at fair value as a beneficial interest in assets held by foundation in the statements of financial position, with the related changes in fair value reported in the statements of activities. The increase or decrease in this asset is due to transfers from the Arts Council, earnings or losses on the underlying investments, distributions, and fees during the year.

**Expense allocation**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses used allocations except for grants, community art projects, management fees, and contributed services and materials. Expenses are allocated on the basis of estimates of time and effort.

**Liquidity**

The Organization's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	2022	2021
Cash and savings accounts	\$ 172,869	188,928
Grants receivable	69,105	33,711
Appropriation of endowment fund	13,000	26,000
Total	254,974	248,639
Restricted by donors with time or purpose restrictions	38,310	41,588
Financial assets available to meet cash needs for general purposes within one year	\$ 216,664	207,051

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has a quasi-endowment of \$512,387 (see Note 3). Although the Organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the quasi-endowment could be made available if necessary.

**Adoption of ASU 2020-07**

The Organization changed accounting policies related to their financial statement presentation and disclosures of contributed nonfinancial assets, or gifts-in-kind by adopting FASB Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, during the year ended September 30, 2022 has been implemented. The standard requires separate disclosure of non-financial contributed asset on the statement of activities and enhanced disclosures including the Organization’s policy for valuation and monetization of contributed non-financial assets, and any donor-restrictions attached to the assets.

**Subsequent events**

Subsequent events have been evaluated through June 2, 2023, which is the date the financial statements were available to be issued.

During the subsequent events period, the Organization was awarded a grant in the amount of \$250,000.

**2. PROPERTY AND EQUIPMENT:**

The details of property and equipment are presented below:

	2022	2021	Estimated Life
Equipment	\$ 27,393	27,393	3-10 Years
Leasehold improvements	50,051	50,051	39 Years
	77,444	77,444	
Accumulated depreciation	42,428	41,081	
Property and equipment, net	\$ 35,016	36,363	

**3. ENDOWMENTS:**

**Capital Region Community Foundation**

The Arts Council has made two transfers to CRCF naming itself as the beneficiary and represented by an interest in the assets held by CRCF. CRCF maintains these transfers separately and the Arts Council may elect to receive the earnings currently or have them reinvested. Upon the request of the Arts Council, distributions in excess of the net income of the fund may be made in any year if approved by the governing board of the CRCF. This arrangement conveys variance power to CRCF.

**Merrill Lynch**

The board designated a quasi-endowment fund consisting of investments primarily in publicly traded securities (see Note 4) during the year ended September 30, 2011. These investments are held and managed by Merrill Lynch (ML). The source of the funds was a bequest without donor restrictions.

The tables below present endowment net asset composition by type of fund and the changes in endowment net assets for the years ended September 30, 2022 and 2021, respectively.

		2022	2021
		<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>
Board-designated endowment funds (MLPFS)	\$	512,387	639,493
Interest in assets held by foundation (CRCF)		<u>995,818</u>	<u>1,245,010</u>
<b>Total Endowment funds</b>	<b>\$</b>	<b><u>1,508,205</u></b>	<b><u>1,884,503</u></b>
		2022	2021
		<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>
Endowment net assets, beginning of year	\$	1,884,503	1,645,990
Investment returns, net		(316,862)	313,050
Appropriation of endowment assets for expenditure		<u>(46,436)</u>	<u>(74,538)</u>
<b>Endowment net assets, end of year</b>	<b>\$</b>	<b><u>1,521,205</u></b>	<b><u>1,884,502</u></b>

**4. INVESTMENTS AND FAIR VALUE:**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Arts Council's own assumptions about the factors market participants would use in pricing an investment and would be based on the information available.

Merrill Lynch

The Arts Council maintains an investment policy, the objective of which is to seek total returns that exceed inflation by at least 5 percent over a long-term basis and outperforms a balanced index over moving 5-year average. Actual results may vary from year to year. Consistent with its risk parameters, the Arts Council also sets guidelines for diversification of investments among various equities and fixed income investments. From the investments, the Arts Council intends to use approximately \$26,000 annually to fund the Chris Clark Fellowship grants.

These investments are designated by the Board of Directors for long-term investment (quasi-endowment). Earnings thereon may be appropriated for current use. Such earnings totaled \$26,000 for the years ended September 30, 2022 and 2021.

Capital Region Community Foundation

The beneficial interest in assets held at CRCF have been valued at the fair value of the Arts Council's reciprocal share of the underlying investments held by CRCF as of September 30, 2022 and 2021, respectively, as reported by CRCF. CRCF values securities and other financial instruments on a recurring fair value basis of accounting. The estimated fair values of certain investments of CRCF, which includes securities for which prices are not readily available, are determined by the management of CRCF, and may not reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. At December 31, 2021 (the most recently audited financial statements available), CRCF's investments are composed approximately of 72 percent equity mutual funds, 27 percent fixed income mutual funds, and 1 percent money market and certificates of deposit (recorded at cost). At December 31, 2020, CRCF's investments are composed approximately of 74 percent equity mutual funds, 24 percent fixed income mutual funds, and 2 percent money market and certificates of deposit (recorded at cost). The beneficial interest in assets held at the Foundation is not redeemable by the Arts Council unless approved the board of CRCF as described in Note 3.

The following are the major categories of assets measured at fair value on a recurring basis for the years ended September 30, 2022 and 2021.

Description	2022			
	Total	Level 1	Level 2	Level 3
Common stocks	\$ 95,433	95,433	-	-
Mutual funds	398,638	398,638	-	-
Total securities at fair value	494,071	494,071	-	-
Cash in brokerage accounts	18,315			
Long-term investments	512,386			
Interest in assets held by foundation	995,818	-	-	995,818
Assets at fair value	\$ 1,508,204	494,071	-	995,818



Description	2021 Total	Level 1	Level 2	Level 3
Common stocks	\$ 92,998	92,998	-	-
Mutual funds	<u>533,066</u>	<u>533,066</u>	-	-
Total securities at fair value	626,064	626,064	-	-
Cash in brokerage accounts	<u>13,430</u>			
Long-term investments	639,494			
Interest in assets held by foundation	<u>1,245,010</u>	-	-	<u>1,245,010</u>
Assets at fair value	<u>\$ 1,884,504</u>	<u>626,064</u>	-	<u>1,245,010</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the years ended September 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 1,245,010	1,060,123
Change in value of beneficial interest	(320,763)	233,425
Distributions	<u>(46,436)</u>	<u>(48,538)</u>
Balance at end of year	<u>\$ 877,811</u>	<u>1,245,010</u>

Included in change in beneficial interest are unrealized holding gain/loss of \$(245,073) and \$75,639 for the years ended September 30, 2022 and 2021, respectively.

#### 5. RETIREMENT PLAN:

The Arts Council maintains a 403(b) defined contribution retirement plan to which employees may contribute an annual maximum amount established by the Internal Revenue Service. The Arts Council will match up to 5% of the employee's gross compensation. Employer contributions for 2022 and 2021 were \$6,846 and \$5,187, respectively.

#### 6. LEASES:

In 2019, the Arts Council signed a building lease that expires in July 2024. The lease calls for rent of \$1,350 per month and provides a discount if the rent is prepaid. The Arts Council prepaid rent for the years ended September 30, 2022 and 2021.

The following table is a schedule of future minimum lease payments under the lease reflecting the prepayment discount.

2023	\$	15,714
2024		15,714
2025		<u>13,095</u>
Total	\$	<u>44,523</u>

Lease expenses were \$16,004 and \$15,714 for the years ending September 30, 2022 and 2021, respectively.

#### **7. INCOME TAXES:**

The Arts Council is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). It is not classified as a private foundation by the Internal Revenue Service. Contributions to the Arts Council are deductible within the limitations prescribed by the Internal Revenue Code.

The Arts Council evaluated all significant tax positions under a more likely than not threshold as required by U.S. GAAP. As of September 30, 2022 and 2021, the Arts Council does not believe that it has taken any tax positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Arts Council's income tax returns are subject to examination by the appropriate taxing jurisdictions. At September 30, 2022, the Arts Council's federal tax returns generally remain open for the last three years.

#### **8. CONCENTRATIONS:**

Investments held at Merrill Lynch consist of stocks, mutual funds, and cash amounting to \$512,387 and \$639,493 at September 30, 2022 and 2021, respectively. The investments are not guaranteed nor insured. Cash held in these accounts is insured by the FDIC or SIPC and is included with the investments since it is expected to be invested or available for long-term investment.

Approximately 53% and 53% of the Arts Council's support came from three sources for the years ended September 30, 2022 and 2021, respectively. The loss of a significant grantor may adversely impact the Arts Council in the near term.

#### **9. RECLASSIFICATIONS:**

Certain reclassifications have been made in the financial statements for comparative purposes. No change to net assets or the change in net assets was needed as a result of the reclassifications.

#### **10. NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets of \$38,310 and \$41,588 were restricted for the express purpose of making grants to organizations within Ingham County at September 30, 2022 and 2021 respectively.

**UPCOMING PRONOUNCEMENTS:**

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Arts Council's year ending September 30, 2023.

The Arts Council is currently in the process of evaluating the impact of adoption of these ASU's on the financial statements.

