

Great Lakes  
Chamber Music  
Festival

Audited Financial  
Statements

For the years ended July 31,  
2021 and 2020

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Management of  
Great Lakes Chamber Music Festival  
Southfield, MI

We have audited the accompanying financial statements of Great Lakes Chamber Music Festival (a nonprofit organization), which comprise the statement of financial position as of July 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **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.

### **Auditor's 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 from 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 auditor's 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 Great Lakes Chamber Music Festival. as of July 31, 2021 and 2020, 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.

*Jason F. Clausen, P.C.*

Fraser, MI  
January 19, 2022

**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**STATEMENT OF FINANCIAL POSITION**  
JULY 31, 2021 AND 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 219,343	\$ 126,008
Accounts receivable - net	20,800	9,308
Pledges receivable	1,238	10,500
Grants receivable	37,175	28,800
Endowment fund receivable, net	11,746	11,746
Investments	284,529	245,435
Prepaid expenses and other assets	500	-
	<hr/>	<hr/>
Total current assets	575,331	431,797
Property and equipment, net	<hr/> 17,421	<hr/> 30,985
	<hr/>	<hr/>
Total assets	<u>592,752</u>	<u>462,782</u>
 <u>Liabilities and net assets</u>		
Current liabilities		
Accounts payable	4,138	15,693
Deferred revenue	<hr/> 1,181	<hr/> 1,215
	<hr/>	<hr/>
Total current liabilities	<hr/> 5,319	<hr/> 16,908
	<hr/>	<hr/>
Total liabilities	5,319	16,908
 <u>Net assets</u>		
Without donor restrictions		
Undesignated	163,519	108,483
Designated by board of directors	25,000	25,000
With donor restrictions		
Purpose restricted	114,526	67,097
Endowment funds	<hr/> 284,388	<hr/> 245,294
	<hr/>	<hr/>
Total net assets	<hr/> 587,433	<hr/> 445,874
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 592,752</u>	<u>\$ 462,782</u>

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**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

	Without donor restrictions		With donor restrictions		Total 2021	Total 2020
	Undesignated	Board Designated	Purpose Restricted	Endowment Fund		
<u>Revenue and other support</u>						
Ticket sales	\$ 24,083	\$ -	\$ -	\$ -	\$ 24,083	\$ -
Contracts	12,900	-	-	-	12,900	7,500
Concert sponsors	156,700	-	-	-	156,700	113,350
Contributions	128,356	-	-	-	128,356	104,391
Grants	49,001	-	87,684	-	136,685	98,801
Special events, net	4,565	-	-	-	4,565	(2,061)
Endowment revenue	28,352	-	-	-	28,352	28,297
Investment income	3	-	-	50,642	50,645	7,580
In-kind	900	-	-	-	900	2,099
Net assets released from restrictions	51,803	-	(40,255)	(11,548)	-	-
 Total revenue and other support	 456,663	 -	 47,429	 39,094	 543,186	 359,957
<u>Expense</u>						
Program	304,360	-	-	-	304,360	211,935
Management and general	26,459	-	-	-	26,459	29,998
Fundraising	70,808	-	-	-	70,808	84,129
 Total expense	 401,627	 -	 -	 -	 401,627	 326,062
 Change in net assets	 55,036	 -	 47,429	 39,094	 141,559	 33,895
Net assets, beginning of period	108,483	25,000	67,097	245,294	445,874	411,979
Net assets, end of period	\$ 163,519	\$ 25,000	\$ 114,526	\$ 284,388	\$ 587,433	\$ 445,874

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**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2021

<u>Description</u>	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Administrative expenses	\$ 111,504	\$ 23,894	\$ 63,717	\$ 199,115
Artist fees	89,861	-	-	89,861
Depreciation and amortization	13,564	-	-	13,564
Development	-	-	255	255
Insurance	646	139	369	1,154
Marketing	24,225	-	-	24,225
Office Expense	6,398	1,371	3,656	11,425
Postage	1,082	232	619	1,933
Printing	745	160	426	1,331
Production	37,539	-	-	37,539
Professional fees	2,520	540	1,440	4,500
Telephone	571	123	326	1,020
Travel	14,805	-	-	14,805
In-kind expenses	900	-	-	900
Total expenses on the statement of activities	<u>\$ 304,360</u>	<u>\$ 26,459</u>	<u>\$ 70,808</u>	<u>\$ 401,627</u>

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**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2020

<u>Description</u>	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Administrative expenses	\$ 128,800	\$ 27,600	\$ 73,600	\$ 230,000
Artist fees	60,500	-	-	60,500
Depreciation and amortization	4,160	-	-	4,160
Development	-	-	2,033	2,033
Insurance	595	127	340	1,062
Marketing	5,576	-	-	5,576
Office Expense	5,069	1,086	2,896	9,051
Postage	521	112	298	931
Printing	1,650	353	943	2,946
Professional fees	2,800	600	1,600	5,000
Telephone	560	120	320	1,000
Travel	1,704	-	-	1,704
In-kind expenses	-	-	2,099	2,099
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses on the statement of activities	<u>\$ 211,935</u>	<u>\$ 29,998</u>	<u>\$ 84,129</u>	<u>\$ 326,062</u>

See independent auditor's report and financial statements

**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

<u>Cash flows from operating activities</u>	<u>2021</u>	<u>2020</u>
Change in net assets	\$ 141,559	\$ 33,895
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	13,564	4,160
Investment income	(50,645)	(7,580)
 <u>Changes in operating assets and liabilities</u>		
(Increase)/Decrease in accounts receivable	(11,492)	21,408
Increase in grants receivable	(8,375)	(15,850)
(Increase)/Decrease in pledges receivable	9,262	(3,550)
Decrease in net endowment receivable	-	9,096
(Increase)/Decrease in prepaid expense	(500)	32,578
Increase/(Decrease) in accounts payable	(11,555)	11,061
Decrease in deferred revenue	(34)	(1,486)
	<hr/>	<hr/>
Net cash provided by operating activities	81,784	83,732
 <u>Cash flows from investing activities</u>		
Sale of investments	11,551	444
Purchase of fixed asset	-	(28,210)
	<hr/>	<hr/>
Net cash provided by/(used in) investing activities	11,551	(27,766)
Net increase in cash and cash equivalents	93,335	55,966
Cash and cash equivalents, beginning of period	126,008	70,042
	<hr/>	<hr/>
Cash and cash equivalents, end of period	\$ 219,343	\$ 126,008
	<hr/>	<hr/>
 <u>Non-cash activities</u>		
In-kind contribution	\$ 900	\$ 2,099

Cash paid for interest during the fiscal year was \$0.



**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Great Lakes Chamber Music Festival “The Festival” presents a variety of chamber music concerts and music education/appreciation events in the metropolitan Detroit area. Most of these activities occur during the month of June, but some occur throughout the year. The Festival receives its support primarily from concert ticket sales, individual donor's contributions, government grants, foundation grants, and corporate contributions.

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES**

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

*Basis of Presentation*

The financial statements of the Festival have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountant (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the Guide”). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Festival and changes therein are classified as follows:

*Net Assets without Donor Restrictions*

Net assets that are not subject to donor- imposed restrictions and may be expended for any purpose in performing the primary objectives of the Festival. These net assets may be used at the discretion of the Festival’s management and the board of directors.

*Net Assets with Donor Restrictions*

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Festival or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

*Concentration of Credit Risk*

At times, the Festival has balances on deposit with certain financial institutions that may exceed federally insured limits. The Festival has not experienced any losses in such accounts. Management believes that the Festival is not exposed to any significant credit risk for cash.

*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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

*Cash and Cash Equivalents*

For the purposes of the statement of cash flows, the company considers highly liquid investments available for current use with a maturity date of ninety days or less at the date of purchase to be cash and cash equivalents.

*Investments*

The Festival records its investments in accordance with ASC topic *Not-for-Profit Entities Investments*. Investments are stated at fair values based upon quoted market prices using prevailing financial market information. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the market value of the investments during the year.

*Accounts Receivable*

Accounts receivable are stated net of an allowance for doubtful accounts. The Festival does not require collateral for its accounts or grants receivable. Management believes all receivables are collectible, and therefore there is no allowance for doubtful accounts for accounts receivable at July 31, 2021 or 2020.

*Pledges Receivable*

The Festival receives pledges of financial support from corporations and individuals. The Festival does not require collateral for its pledges receivable. Revenue is recognized when a pledge representing an unconditional promise to pay is received; in the absence of such a promise, revenue is recognized when the financial support is received. Unconditional promises to give that are expected to be collected in future years are recorded at present value of their estimated future cash flows. The unamortized discount represents the adjustment required to record pledges expected to be received in future years at their current value. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions over the period of the pledge. The discount on those amounts is computed using risk-free interest rates applicable to the years in which the promises are received and the years in which the contributions are expected to be fulfilled. No allowance for uncollected contributions has been recorded, as management believes all amounts are collectible. At July 31, 2021 and 2020, all pledges receivable are expected to be collected during the next year.

*Property, Equipment, Depreciation and Amortization*

Property and equipment is stated at cost. Expenditures for maintenance and repairs are charged to operating expenses. Adjustments of the asset and the related accumulated depreciation accounts are made for property and equipment retirements and disposals, with the resulting gain or loss included in the Statement of Activities. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 7 years.

*Deferred Revenue*

Deferred revenue represents concert sponsorships for the subsequent season. Revenues will be recognized for the season in which concert occurs.

**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

**NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

*Revenue Recognition*

*Contributions:* Unconditional contributions are recognized when pledged and are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

*Contract Revenue and Ticket Sales:* The Festival receives fees for performance contracts and ticket sales, which are recognized in the period in which the services are performed.

*Special Events:* Special event revenues are reported net of direct expenses. For the years ended July 31, 2021 and 2020 direct expenses were \$15,260 and \$4,886, respectively.

*Income Taxes*

The Festival operates as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes. ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold income tax position is required to be met before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At July 31, 2021 and 2020, there were no uncertain tax positions that required accrual.

*Functional Expenses*

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include administrative, occupancy and general operating expenses on the basis of estimates of time and effort. All other expenses are allocated based on direct identification and utilization.

**NOTE 3 – INVESTMENTS**

Fair values and unrealized gains are summarized as follows:

**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

**NOTE 3 – INVESTMENTS (CONTINUED)**

	July 31, 2021		
	Cost	Fair Value	Unrealized Gain
Money market funds	\$ 1,768	\$ 1,768	\$ -
Mutual funds	109,311	134,605	25,294
ETP	102,377	129,116	26,739
Alternative investments	17,054	19,040	1,986
Total investments	<u>\$ 230,510</u>	<u>\$ 284,529</u>	<u>\$ 54,019</u>

  

	July 31, 2020		
	Cost	Fair Value	Unrealized Gain
Money market funds	\$ 1,135	\$ 1,135	\$ -
Mutual funds	145,873	154,831	8,958
ETP	65,015	74,623	9,608
Alternative investments	14,522	14,846	324
Total investments	<u>\$ 226,545</u>	<u>\$ 245,435</u>	<u>\$ 18,890</u>

Investment income is comprised of the following:

	July 31,	
	2021	2020
Interest income	\$ 4,195	\$ 9,379
Unrealized gain (loss)	46,447	(2,078)
Realized gain (loss)	-	-
Total	<u>\$ 50,642</u>	<u>\$ 7,301</u>

**NOTE 4 – FAIR VALUE MEASUREMENTS**

ASC topic *Fair Value Measurements*, establishes a framework for measuring fair value. That framework 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 under ASC topic *Fair Value Measurements* are described as follows:

Level 1:

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Festival has the abilities to access.

Level 2:

Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means;
- if the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

See independent auditor's report and financial statements

**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

**NOTE 4 – FAIR VALUE MEASUREMENTS (CONTINUED)**

Level 3:

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Money Market Funds:* Valued at cost plus interest earnings throughout the year.

*Mutual funds, ETP and Alternative investments:* Valued at the closing price reported in the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Festival believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

The Festival's assets at fair value for July 31, 2021 and 2020:

	July 31, 2021			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 1,768	\$ 1,768	\$ -	\$ -
Mutual funds	134,605	134,605	-	-
ETP	129,116	129,116	-	-
Alternative investments	19,040	19,040	-	-
Total investments	\$ 284,529	\$ 284,529	\$ -	\$ -
	July 31, 2020			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 1,135	\$ 1,135	\$ -	\$ -
Mutual funds	154,831	154,831	-	-
ETP	74,623	74,623	-	-
Alternative investments	14,846	14,846	-	-
Total investments	\$ 245,435	\$ 245,435	\$ -	\$ -

**NOTE 5 – RELATED PARTY TRANSACTIONS**

*Administrative Fees*

Transactions with affiliates are arranged and carried out by shared management and operational employees of the affiliated companies. In the conduct of daily business, a administrative fee is charged for administrative services, office expenses and shared office facilities. Administrative fees for the year ended July 31, 2021 amounted to \$199,115.

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**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

**NOTE 6 – NOTES PAYABLE**

*Line of Credit*

On October 27, 2020 the Organization entered into a line of credit agreement with a bank for general business purposes. The maximum borrowing capacity of the line is \$150,000. This credit facility bears interest at a variable rate associated with the one month LIBOR rate, plus 4.00%. As of July 31, 2021, the balance due was \$0. The line is secured by the Festival's investment accounts.

**NOTE 7 – IN-KIND CONTRIBUTIONS**

The Festival received contributions for food, beverage, and production services. Such contributions are recorded at fair value when received. For the years ended July 31, 2021 and 2020 the value of donated items was approximately \$900 and \$2,099, respectively.

**NOTE 8 – ENDOWMENT**

In 2014, the Festival established an endowment called the James Tocco Endowed Fund for Artistry & Innovation. The Endowment is a donor-restricted fund. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The use of funds invested in the Board Managed Endowment Account is restricted. Principal can be withdrawn only for operating emergencies. The Festival intends that the target reserve balance for this fund will represent 10% of the current operating budget. The Cash Reserve Fund may be replenished for amounts previously distributed through transfers of surplus from the operating fund or additional donor contributions. An amount representing 4.25% of the current calendar year end balance will be distributed on March 31 and September 30 of the following year into the Festival's general account.

*Interpretation of Relevant Law*

The Festival has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with generally accepted accounting principles and this interpretation, the Festival classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted unless otherwise specified by the donor.

The Festival considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Festival and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments

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**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JULY 31, 2021 AND 2020**

**NOTE 8 – ENDOWMENT (CONTINUED)**

- 6) Other resources of the Festival
- 7) The investment policies

Composition of and changes in endowment net asset are summarized as follows:

	Year ended July 31, 2021		
	Board designated	Donor restricted	Total
Endowment net assets, beginning of the year	\$ 25,000	\$245,294	\$ 270,294
Investment return			
Investment income	-	4,195	4,195
Net realized and unrealized gain (loss)	-	46,447	46,447
Total investment return	-	50,642	50,642
Contributions	-	-	-
Disbursements	-	(11,548)	(11,548)
Endowment net assets, end of year	<u>\$ 25,000</u>	<u>284,388</u>	<u>\$ 309,388</u>

  

	Year ended July 31, 2020		
	Board designated	Donor restricted	Total
Endowment net assets, beginning of the year	\$ 25,000	\$248,162	\$ 273,162
Investment return			
Investment income	-	9,379	9,379
Net realized and unrealized gain (loss)	-	(2,078)	(2,078)
Total investment return	-	7,301	7,301
Contributions	-	-	-
Disbursements	-	(10,169)	(10,169)
Endowment net assets, end of year	<u>\$ 25,000</u>	<u>245,294</u>	<u>\$ 270,294</u>

Following are the descriptions of amounts classified as donor restricted net assets (endowments only):

Donor restricted net assets

The portion of the perpetual endowment fund that is to be retained permanently by explicit donor stipulation

\$ 224,923      \$ 224,923

Total endowment funds classified as Donor restricted net assets

\$ 284,388      \$ 245,294

*Return objective and risk parameters*

The Festival has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Festival must hold in perpetuity or for a donor-specified purpose. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that provide a return of at least five percent (5%) above the rate of inflation as measured by the Consumer Price Index for the Endowment's first five (5) years and an average annual total portfolio return of at least six and one-half percent (6.5%) over the next ten (10) years. Actual returns in any given year may vary from this amount.

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**GREAT LAKES CHAMBER MUSIC FESTIVAL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED JULY 31, 2021 AND 2020

**NOTE 8 – ENDOWMENT (CONTINUED)**

*Strategies employed for achieving objectives*

The Festival targets a diversified asset allocation of its investments in a mix of asset classes that is expected to achieve its long-term return objectives within prudent risk constraints. The funds are to be broadly diversified in order to minimize the risk of large losses in individual investments. The commitment to any one security should be limited to a maximum of ten percent (10%) of the portfolio's market value, with the exception of United States Government Securities and mutual funds (or other diversified pools). The Festival's asset mix includes: cash and cash equivalents ranging from 0 to 20 percent, equities ranging from 40 to 75 percent and fixed income investments ranging from 25 to 55 percent of the investment portfolio.

**NOTE 9 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	July 31,	
	2021	2020
Websites	\$ 40,692	\$ 40,692
Less: accumulated depreciation	(23,271)	(9,707)
	\$ 17,421	\$ 30,985

There was \$13,564 and \$4,160 of depreciation and amortization expense for the years ended July 31, 2021 and 2020, respectively.

**NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Festival's financial assets as of July 31, 2021, reduced by the amounts not available for general use within one year due to contractual or donor- imposed restrictions or internal designations.

Financial assets	
Cash	\$ 219,343
Receivables	70,959
Investment	284,529
Total financial assets	574,831
Amounts not available for general use	
Donor restricted funds	(114,527)
Endowment	(284,388)
Board designated funds	(25,000)
Financial assets available to meet general expenditures within one year	\$ 150,916

As part of the Festival'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.



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**NOTE 11 – RESTRICTED NET ASSETS**

Net assets with donor restrictions were comprised of the following:

	<u>2021</u>	<u>2020</u>
Time restricted grant	\$ 25,000	\$ 50,000
Youth engagement	-	5,000
Program support	77,684	-
Professional development	<u>11,842</u>	<u>12,097</u>
	<u>\$114,526</u>	<u>\$ 67,097</u>

Endowment fund net assets totaled \$284,388 and \$245,294 as of July 31, 2021 and 2020, respectively.

**NOTE 12 – OTHER FOUNDATION ENDOWMENTS**

The Festival has an Endowment Fund (the “Fund”) with the Community Foundation for Southeast Michigan (“CFSEM”). The Fund is maintained and administered by CFSEM for the purpose of providing support to further the general charitable purposes of the Festival. Annual distributions are based on the average market value of the Fund for the previous twelve quarters. At July 31, 2021 and 2020, CFSEM held assets in the Fund with a market value of \$626,407 and \$526,475, respectively, for the benefit of the Festival. Such assets are excluded from the accompanying financial statements. During the years ended July 31, 2021 and 2020, the Festival received \$23,493 and \$23,493 from the Fund, respectively.

In addition, the Festival has an Endowment Fund (the “Endowment”) with the United Jewish Foundation of Metropolitan Detroit (“UJFMD”). The Endowment is maintained and administered by UJFMD for the purpose of providing support to further the general charitable purposes of the Festival. Annual distributions are based on 5.50% of the average balance of the fund over the last twelve quarters. At July 31, 2021 and 2020, UJFMD held assets in the Endowment with a market value of \$106,926 and \$92,299, respectively, for the benefit of the Festival. Such assets are excluded from the accompanying financial statements. During the years ended July 31, 2021 and 2020, the Festival received \$4,859 and \$4,804 from the Endowment, respectively.

**NOTE 13 – COMMITMENTS**

The Festival has a professional services agreement for artistic director services through July 2023. The Festival had \$31,667 and \$30,000 for the artistic director’s fee for the years ended July 31, 2021 and 2020, respectively. The minimum future obligations for payments are \$33,333 for the year ending July 30, 2022.

**NOTE 14 – COMPARATIVE STATEMENTS**

*Comparative Data*

Certain amounts shown for the year ended July 31, 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021 and present summarized totals only. Accordingly, the 2020 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in

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**NOTE 14 – COMPARATIVE STATEMENTS (CONTINUED)**

conjunction with the Festival's financial statements for the year ended July 30, 2020, from which the summarized information was derived.

*Reclassification*

Certain 2020 amounts have been reclassified to conform to the 2021 statement presentation.

**NOTE 15 – DATE OF MANAGEMENT'S REVIEW**

The financial statements have been reviewed by management through the date of this report, which is the date the financial statements were available to be issued.