

Great Lakes
Chamber Music
Festival

Audited Financial
Statements

For the years ended July 31,
2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 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 Great Lakes Chamber Music Festival as of July 31, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Great Lakes Chamber Music Festival 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 Great Lakes Chamber Music Festival's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Great Lakes Chamber Music Festival'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 Great Lakes Chamber Music Festival'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.

Jason F. Clausen, P.C.

Fraser, MI

February 7, 2023

GREAT LAKES CHAMBER MUSIC FESTIVAL
STATEMENT OF FINANCIAL POSITION
JULY 31, 2022 AND 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 178,482	\$ 219,343
Accounts receivable - net	101,586	20,800
Pledges receivable	1,844	1,238
Grants receivable	14,425	37,175
Endowment fund receivable, net	12,506	11,746
Investments	370,334	284,529
Prepaid expenses and other assets	-	500
	<hr/>	<hr/>
Total current assets	679,177	575,331
Property and equipment, net	<hr/>	<hr/>
	8,018	17,421
	<hr/>	<hr/>
Total assets	<u>687,195</u>	<u>592,752</u>
 <u>Liabilities and net assets</u>		
Current liabilities		
Accounts payable	29,722	4,138
Deferred revenue	<hr/>	<hr/>
	1,245	1,181
	<hr/>	<hr/>
Total current liabilities	<u>30,967</u>	<u>5,319</u>
Total liabilities	30,967	5,319
 <u>Net assets</u>		
Without donor restrictions		
Undesignated	209,028	163,519
Designated by board of directors	25,000	25,000
With donor restrictions		
Purpose restricted	171,066	114,526
Endowment funds	<hr/>	<hr/>
	251,134	284,388
	<hr/>	<hr/>
Total net assets	<u>656,228</u>	<u>587,433</u>
Total liabilities and net assets	<u>\$ 687,195</u>	<u>\$ 592,752</u>

See independent auditor's report and financial statements

GREAT LAKES CHAMBER MUSIC FESTIVAL
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

	Without donor restrictions		With donor restrictions		Total 2022	Total 2021
	Undesignated	Board Designated	Purpose Restricted	Endowment Fund		
<u>Revenue and other support</u>						
Ticket sales	\$ 37,120	\$ -	\$ -	\$ -	\$ 37,120	\$ 24,083
Contracts	33,375	-	-	-	33,375	12,900
Concert sponsors	169,609	-	-	-	169,609	156,700
Contributions	115,091	-	-	-	115,091	128,356
Grants	44,279	-	139,843	-	184,122	136,685
Special events, net	20,595	-	-	-	20,595	4,565
Endowment revenue	29,736	-	-	-	29,736	28,352
Investment income	(18,536)	-	-	(33,254)	(51,790)	50,645
In-kind	-	-	-	-	-	900
Net assets released from restrictions	83,303	-	(83,303)	-	-	-
 Total revenue and other support	 514,572	 -	 56,540	 (33,254)	 537,858	 543,186
<u>Expense</u>						
Program	381,684	-	-	-	381,684	304,360
Management and general	23,295	-	-	-	23,295	26,459
Fundraising	64,084	-	-	-	64,084	70,808
 Total expense	 469,063	 -	 -	 -	 469,063	 401,627
 Change in net assets	 45,509	 -	 56,540	 (33,254)	 68,795	 141,559
Net assets, beginning of period	163,519	25,000	114,526	284,388	587,433	445,874
Net assets, end of period	<u>\$ 209,028</u>	<u>\$ 25,000</u>	<u>\$ 171,066</u>	<u>\$ 251,134</u>	<u>\$ 656,228</u>	<u>\$ 587,433</u>

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GREAT LAKES CHAMBER MUSIC FESTIVAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2022

<u>Description</u>	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Administrative expenses	\$ 88,272	\$ 18,915	\$ 50,441	\$ 157,628
Artist fees	119,558	-	-	119,558
Depreciation and amortization	9,403	-	-	9,403
Development	-	-	1,961	1,961
Insurance	595	127	340	1,062
Marketing	46,072	-	-	46,072
Office expense	15,666	3,357	8,952	27,975
Postage	661	142	378	1,181
Printing	441	94	252	787
Production	60,193	-	-	60,193
Professional fees	2,520	540	1,440	4,500
Telephone	560	120	320	1,000
Travel	37,743	-	-	37,743
Total expenses on the statement of activities	<u>\$ 381,684</u>	<u>\$ 23,295</u>	<u>\$ 64,084</u>	<u>\$ 469,063</u>

See independent auditor's report and financial statements

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
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses on the statement of activities	<u>\$ 304,360</u>	<u>\$ 26,459</u>	<u>\$ 70,808</u>	<u>\$ 401,627</u>

See independent auditor's report and financial statements

GREAT LAKES CHAMBER MUSIC FESTIVAL
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

<u>Cash flows from operating activities</u>	<u>2022</u>	<u>2021</u>
Change in net assets	\$ 68,795	\$ 141,559
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,403	13,564
Investment income	51,790	(50,645)
 <u>Changes in operating assets and liabilities</u>		
(Increase)/Decrease in:		
Accounts receivable	(80,786)	(11,492)
Grants receivable	22,750	(8,375)
Pledges receivable	(606)	9,262
Net endowment receivable	(760)	-
Prepaid expense	500	(500)
 Increase/(Decrease) in:		
Accounts payable	25,584	(11,555)
Deferred revenue	64	(34)
	<hr/>	<hr/>
Net cash provided by operating activities	96,734	81,784
 <u>Cash flows from investing activities</u>		
Sale of investments	<u>(137,595)</u>	<u>11,551</u>
 Net cash provided by/(used in) investing activities	<u>(137,595)</u>	<u>11,551</u>
 Net increase in cash and cash equivalents	(40,861)	93,335
Cash and cash equivalents, beginning of period	<u>219,343</u>	<u>126,008</u>
Cash and cash equivalents, end of period	<u>\$ 178,482</u>	<u>\$ 219,343</u>

See independent auditor's report and financial statements

GREAT LAKES CHAMBER MUSIC FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

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, 2022 AND 2021

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, 2022 or 2021.

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, 2022 and 2021, 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, 2022 AND 2021

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, 2022 and 2021 direct expenses were \$5,876 and \$15,260, 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, 2022 and 2021, 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 (losses) are summarized as follows:

GREAT LAKES CHAMBER MUSIC FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 3 – INVESTMENTS (CONTINUED)

	July 31, 2022		
	Cost	Fair Value	Unrealized Gains (Losses)
Money market funds	\$ 3,052	\$ 3,052	\$ -
Mutual funds	151,328	145,403	(5,925)
ETP	188,265	193,880	5,615
Alternative investments	27,237	27,999	762
Total investments	\$ 369,882	\$ 370,334	\$ 452
	July 31, 2021		
	Cost	Fair Value	Unrealized Gains (Losses)
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	\$ 230,510	\$ 284,529	\$ 54,019

Investment income (loss) is comprised of the following:

	July 31,	
	2022	2021
Interest income	\$ 11,898	\$ 4,195
Unrealized gains (losses)	(63,688)	46,447
Total	\$ (51,790)	\$ 50,642

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, 2022 AND 2021

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, 2022 and 2021:

	July 31, 2022			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 3,052	\$ 3,052	\$ -	\$ -
Mutual funds	145,403	145,403	-	-
ETP	193,880	193,880	-	-
Alternative investments	27,999	27,999	-	-
Total investments	<u>\$ 370,334</u>	<u>\$ 370,334</u>	<u>\$ -</u>	<u>\$ -</u>
	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	<u>\$ 284,529</u>	<u>\$ 284,529</u>	<u>\$ -</u>	<u>\$ -</u>

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 years ended July 31, 2022 and 2021 amounted to

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GREAT LAKES CHAMBER MUSIC FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 5 – RELATED PARTY TRANSACTIONS (CONTINUED)

\$157,628 and \$199,115, respectively.

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, 2022 and 2021 the value of donated items was approximately \$0 and \$900, 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

See independent auditor's report and financial statements

GREAT LAKES CHAMBER MUSIC FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 8 – ENDOWMENT (CONTINUED)

- 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
- 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, 2022		
	Board designated	Donor restricted	Total
Endowment net assets, beginning of the year	\$ 25,000	\$ 284,529	\$ 309,529
Investment return			
Investment income	-	10,080	10,080
Net realized and unrealized gain (loss)	-	(43,334)	(43,334)
Total investment return	-	(33,254)	(33,254)
Contributions	-	-	-
Disbursements	-	(12,404)	(12,404)
Endowment net assets, end of year	\$ 25,000	238,871	\$ 263,871
	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	\$ 25,000	284,388	\$ 309,388

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

	2022	2021
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	\$ 238,871	\$ 284,388

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

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GREAT LAKES CHAMBER MUSIC FESTIVAL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JULY 31, 2022 AND 2021

NOTE 8 – ENDOWMENT (CONTINUED)

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.

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,	
	2022	2021
Websites	\$40,692	\$40,692
Less: accumulated depreciation	(32,674)	(23,271)
	\$ 8,018	\$17,421

There was \$9,403 and \$13,564 of depreciation and amortization expense for the years ended July 31, 2022 and 2021, respectively.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Festival's financial assets as of July 31, 2022, 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	\$ 178,482
Receivables	130,361
Investment	370,334
Total financial assets	679,177
Amounts not available for general use	
Donor restricted funds	(171,066)
Endowment	(251,134)
Board designated funds	(25,000)
Financial assets available to meet general expenditures within one year	\$ 231,977

See independent auditor's report and financial statements

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NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

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.

NOTE 11 – RESTRICTED NET ASSETS

Net assets with donor restrictions were comprised of the following:

	<u>2022</u>	<u>2021</u>
Time restricted grant	\$ 15,000	\$ 25,000
Program support	96,184	77,684
Capital campaign	50,000	-
Professional development	<u>9,882</u>	<u>11,842</u>
	<u>\$ 171,066</u>	<u>\$ 114,526</u>

Endowment fund net assets totaled \$238,871 and \$284,529 as of July 31, 2022 and 2021, 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, 2022 and 2021, CFSEM held assets in the Fund with a market value of \$554,928 and \$626,407, respectively, for the benefit of the Festival. Such assets are excluded from the accompanying financial statements. During the years ended July 31, 2022 and 2021, the Festival received \$24,252 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, 2022 and 2021, UJFMD held assets in the Endowment with a market value of \$118,790 and \$106,926, respectively, for the benefit of the Festival. Such assets are excluded from the accompanying financial statements. During the years ended July 31, 2022 and 2021, the Festival received \$4,788 and \$4,859 from the Endowment, respectively.

NOTE 13 – COMMITMENTS

The Festival has a professional services agreement for artistic director services through July 2023. The Festival had \$33,333 and \$31,667 for the artistic director’s fee for the years ended July 31, 2022 and 2021, respectively. The minimum future obligations for payments are \$35,000 for the year ending July 31, 2023.

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NOTE 14 – COMPARATIVE STATEMENTS

Comparative Data

Certain amounts shown for the year ended July 31, 2021 in the accompanying financial statements are included to provide a basis for comparison with 2022 and present summarized totals only. Accordingly, the 2021 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 conjunction with the Festival's financial statements for the year ended July 30, 2021, from which the summarized information was derived.

Reclassification

Certain 2021 amounts have been reclassified to conform to the 2022 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.