

**Ann Arbor Summer Festival, Inc.**

**Financial Statements**

**September 30, 2018**

**(With Summarized Comparative Information for 2017)**



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## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of Ann Arbor Summer Festival, Inc. which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ann Arbor Summer Festival, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

The financial statements of Ann Arbor Summer Festival, Inc. as of September 30, 2017, were audited by other auditors whose report dated January 18, 2018, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended September 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Yeo & Yeo, P.C.*

Ann Arbor, MI  
February 25, 2019

**Ann Arbor Summer Festival, Inc.**  
**Statement of Financial Position**  
**September 30, 2018**  
**(With Summarized Comparative Information for 2017)**

	2018	2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 206,858	\$ 297,233
Grants receivable	40,553	14,200
Promises to give, current portion	663	17,250
Prepaid expenses	17,888	18,995
Total current assets	265,962	347,678
Noncurrent assets		
Restricted cash	2,470	152
Restricted investments	186,364	150,002
Promises to give, net of current portion	2,500	-
Property and equipment, net	15,668	19,600
Total noncurrent assets	207,002	169,754
<b>Total assets</b>	<b>\$ 472,964</b>	<b>\$ 517,432</b>

See Accompanying Notes to the Financial Statements

**Ann Arbor Summer Festival, Inc.**  
**Statement of Financial Position**  
**September 30, 2018**  
**(With Summarized Comparative Information for 2017)**

	2018	2017
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 31,343	\$ 28,089
Accrued expenses	3,936	2,617
Deferred revenue	1,000	-
Total current liabilities	36,279	30,706
Net assets		
Unrestricted		
Undesignated	204,330	261,072
Endowment Earnings	35,601	21,616
Temporarily restricted	43,521	67,250
Endowment Corpus	153,233	136,788
Total net assets	436,685	486,726
<b>Total liabilities and net assets</b>	<b>\$ 472,964</b>	<b>\$ 517,432</b>

See Accompanying Notes to the Financial Statements

**Ann Arbor Summer Festival, Inc.**  
**Statement of Activities**  
**For the Year Ended September 30, 2018**  
**(With Summarized Comparative Information for 2017)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
<b>Revenue, support and gains (losses)</b>					
Mainstage series sales	\$ 261,599	\$ -	\$ -	\$ 261,599	\$ 502,620
Top of the Park sales	337,971	-	-	337,971	365,107
Contributions	445,673	-	16,445	462,118	486,505
Grants	143,573	358	-	143,931	190,290
In-kind contributions	185,464	-	-	185,464	179,548
Other revenue	6,411	-	-	6,411	9,674
Interest and dividend income	4,001	-	-	4,001	2,369
Realized gain on investments	1,514	-	-	1,514	525
Unrealized gain on investments	9,573	-	-	9,573	12,989
Loss on disposal of property and equipment	(159)	-	-	(159)	(2,081)
Net assets released from restrictions	24,087	(24,087)	-	-	-
	<u>1,419,707</u>	<u>(23,729)</u>	<u>16,445</u>	<u>1,412,423</u>	<u>1,747,546</u>
<b>Expenses</b>					
Program services	<u>1,103,943</u>	<u>-</u>	<u>-</u>	<u>1,103,943</u>	<u>1,095,682</u>
Support					
Management and general	237,874	-	-	237,874	316,100
Fundraising	<u>120,647</u>	<u>-</u>	<u>-</u>	<u>120,647</u>	<u>117,858</u>
Total support	<u>358,521</u>	<u>-</u>	<u>-</u>	<u>358,521</u>	<u>433,958</u>
Total expenses	<u>1,462,464</u>	<u>-</u>	<u>-</u>	<u>1,462,464</u>	<u>1,529,640</u>
<b>Change in net assets</b>	(42,757)	(23,729)	16,445	(50,041)	217,906
Net assets - beginning of year	<u>282,688</u>	<u>67,250</u>	<u>136,788</u>	<u>486,726</u>	<u>268,820</u>
<b>Net assets - end of year</b>	<u>\$ 239,931</u>	<u>\$ 43,521</u>	<u>\$ 153,233</u>	<u>\$ 436,685</u>	<u>\$ 486,726</u>

See Accompanying Notes to the Financial Statements

**Ann Arbor Summer Festival, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2018**  
**(With Summarized Comparative Information for 2017)**

	2018	2017
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (50,041)	\$ 217,906
Items not requiring cash		
Depreciation	6,640	9,679
Loss on disposal of property and equipment	159	2,081
Unrealized gain on investments	(9,573)	(12,989)
Realized gain on investments	(1,514)	(525)
Changes in operating assets and liabilities		
Accounts receivable	-	100
Grants receivable	(26,353)	33,400
Promises to give	14,087	(12,250)
Prepaid expenses	1,107	1,522
Accounts payable	3,254	(37,197)
Accrued expenses	1,319	(7,956)
Deferred revenue	1,000	(29,700)
Net cash provided (used) by operating activities	(59,915)	164,071
<b>Cash flows from investing activities</b>		
Purchases of investments	(25,275)	(36,787)
Purchases of property and equipment	(2,867)	(2,786)
Net cash used by investing activities	(28,142)	(39,573)
Net change in cash and cash equivalents	(88,057)	124,498
Cash and cash equivalents - beginning of year	297,385	172,887
<b>Cash and cash equivalents- end of year</b>	<b>\$ 209,328</b>	<b>\$ 297,385</b>
<b>Supplemental cash flow information</b>		
<b>Cash on the Statement of Financial Position shown as:</b>		
Cash and cash equivalents (current)	\$ 206,858	\$ 297,233
Restricted cash	2,470	152
Total current and restricted cash	\$ 209,328	\$ 297,385

See Accompanying Notes to the Financial Statements



**Ann Arbor Summer Festival, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2018**  
**(With Summarized Comparative Information for 2017)**

	Program	Management	Fundraising	Total	
	Services	and General		2018	2017
Salaries and related costs					
Salaries and wages	\$ 247,558	\$ 44,521	\$ 76,136	\$ 368,215	\$ 381,566
Payroll taxes	25,491	4,016	6,518	36,025	35,412
Employee benefits	17,339	5,549	9,578	32,466	34,487
Total salaries and related costs	290,388	54,086	92,232	436,706	451,465
Printing and postage	12,618	3,134	16,605	32,357	38,183
Insurance	18,277	4,753	-	23,030	23,956
Utilities	26,739	2,903	-	29,642	26,956
Operating supplies	19,529	-	-	19,529	9,793
Equipment rental and maintenance	83,925	2,412	-	86,337	66,381
Education outreach	-	-	-	-	1,050
Special attraction - program	-	-	-	-	52,246
Telephone and internet	-	3,314	-	3,314	3,856
Computer maintenance	-	8,697	-	8,697	8,124
Office supplies	-	2,656	-	2,656	1,546
Professional services	2,400	32,703	-	35,103	31,132
Books, subscriptions	1,012	6,697	-	7,709	6,441
Visual arts	4,187	-	-	4,187	3,974
Cost of goods sold	75,907	50	-	75,957	77,583
Artist fees	232,285	-	-	232,285	319,337
Production services and contractors	57,554	1,354	-	58,908	27,057
Other production costs	10,027	383	-	10,410	2,937
Taxes and licenses	8,649	179	-	8,828	8,818
Professional development	-	2,157	-	2,157	4,257
Design fees	20,000	-	-	20,000	20,000
Rent	60,420	18,800	-	79,220	77,860
Artist hotels	16,093	-	-	16,093	10,121
Box office	3,653	-	-	3,653	4,357
Artist travel	3,861	-	-	3,861	5,208
Credit card and bank fee	9,525	3,988	-	13,513	19,013
Security	34,308	-	-	34,308	33,225
Cultivation	734	-	10,821	11,555	11,006
Miscellaneous	463	8,592	989	10,044	6,307
Advertising	110,635	75,130	-	185,765	167,772
Depreciation	754	5,886	-	6,640	9,679
Total expenses	\$ 1,103,943	\$ 237,874	\$ 120,647	\$ 1,462,464	\$ 1,529,640

See Accompanying Notes to the Financial Statements

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2018**  
**(With Summarized Comparative Information for 2017)**

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

**Nature of Activities**

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

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation**

Net assets of the Festival and changes therein, are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Festival and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Festival. Generally, the donors of these assets permit the Festival to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or

decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Comparative Financial Information**

The financial information for the year September 30, 2017 is presented for comparative purposes is not intended to be a complete financial statement presentation.

**Cash and Cash Equivalents**

The Festival considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents. The entire bank balance of \$216,624 was insured by the FDIC.

**Investments**

The Festival carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Investment income and gains and losses, including unrealized, are included in the change in net assets in the accompanying Statements of Activities as unrestricted unless temporarily restricted by donor stipulation. Donated investments are recorded at fair market value at the date of gift. The Festival holds investments which are classified as available for sale and are recorded at fair value.

The Festival applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Ann Arbor Summer Festival, Inc.**  
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**Grants Receivable**

The Festival holds various types of receivables – accounts receivable related to Festival operations, grant and sponsorship receivables, as well as contribution receivables (pledges, i.e. promises to give). The Festival uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review, no allowance was deemed necessary as of September 30, 2018 and 2017.

**Promises to Give**

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

The Festival uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

**Property and Equipment**

The Festival follows the practice of capitalizing all expenditures in excess of \$500 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Festival evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-

lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

**Beneficial Interest in Assets Held by Others**

The Festival has previously established an endowment held and managed by the Ann Arbor Area Community Foundation ("Foundation"). The Festival is eligible to receive distributions based on earnings on the average balance of the endowment, not to exceed the available balance. The Festival received disbursements of \$1,406 and \$0 during the years ended September 30, 2018 and 2017, respectively. With the exception of the previously mentioned allowable disbursements and an annual fee not to exceed the principal balance, the Foundation cannot make disbursements of the endowment corpus. The Foundation has variance power of these funds.

**Contributions and Other Support**

The Festival accounts for contributions as required by the Not-For-Profit Topic of the Financial Accounting Standards Board Accounting Standards Codification. In accordance with this guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support. Contributions received are required to be recorded at fair market value.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If donor-restricted contributions are received and the restricted use is met within the same fiscal year, the support is reported as unrestricted contributions.

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
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**Donated Services and Goods**

During the year, contributed goods and services meeting the requirements for recognition in the financial statements including legal services, printing, advertising, food, parking, etc. have been recorded at the fair value of the donations received. Total value of donated goods and services included in expenses was \$185,464 and \$179,548 for September 30, 2018 and 2017, respectively.

**Advertising**

The Festival expenses advertising costs the first time the advertising occurs. Advertising expense for the years ended September 30, 2018 and 2017 was \$185,765 and \$167,772, respectively. These amounts include in-kind advertising expenses.

**Functional Expenses**

The allocation of expenses to the functional programs and management and general categories was computed using allocation percentages historically used during preparation of the Festival's budget. Management believes this is a reasonable approximation of the actual costs of the programs.

**Income Tax Status**

The Festival is qualified as a tax-exempt Festival under Section 501(c)(3) of the Internal Revenue Code, and is classified as an Organization other than a private foundation, as described in Section 509(a). The Festival files information returns in the U.S. Federal and Michigan jurisdiction.

**Risks and Uncertainties**

The Festival invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Reclassification**

Amounts previously reported as deferred revenue at September 30, 2017 have been reclassified to grants receivable to conform to the current year presentation. The reclassification does not have an effect on net assets at September 30, 2018 and 2017.

**Subsequent Events**

Management has evaluated subsequent events through February 25, 2019, which is the date the financial statements were available to be issued.

**Note 2 - Promises to Give**

Promises to give are scheduled to be collected as follows:

	2018	2017
Promises to give	\$ 3,163	\$ 17,250
Allowance for uncollectible promises to give	-	-
Net promises to give	\$ 3,163	\$ 17,250
Amounts due in		
2019	\$ 663	
2020	2,500	
	\$ 3,163	

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
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**Note 3 - Grants Receivable**

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

	<u>2018</u>	<u>2017</u>
National Endowment for the Arts	\$ 35,000	\$ 10,000
Michigan Council for Arts and Cultural Affairs	5,553	4,200
	<u>\$ 40,553</u>	<u>\$ 14,200</u>

**Note 4 - Investments**

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

	Fair Value	
	<u>2018</u>	<u>2017</u>
Money market funds	\$ 269	\$ 264
Mutual funds	186,095	149,738
Total investments	<u>\$ 186,364</u>	<u>\$ 150,002</u>

Investment income is composed of the following at September 30:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 4,001	\$ 2,369
Realized gain on investments	1,514	525
Unrealized gain on investments	9,573	12,989
	<u>\$ 15,088</u>	<u>\$ 15,883</u>

**Note 5 - Property and Equipment**

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

	<u>2018</u>	<u>2017</u>	Estimate Useful Life
Office Equipment	\$ 30,692	\$ 33,825	3-7 years
Production Equipment	135,737	142,599	3-7 years
Less: accumulated depreciation	(150,761)	(156,824)	
	<u>\$ 15,668</u>	<u>\$ 19,600</u>	

**Note 6 - Line of Credit**

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

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
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**(With Summarized Comparative Information for 2017)**

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**Note 7 - Board Designated Net Assets**

The Board of Directors of the Festival has voluntarily designated \$35,061 and \$21,616 as of September 30, 2018 and 2017, respectively, whose purpose is to be held as corpus in the endowment fund until the endowment reaches its investment goal.

the objective of achieving a long-term growth of principal and income using the following investment vehicles - equity securities, mutual funds, fixed income securities (maturities longer than one year) and cash equivalents (maturities less than one year) and using targeted allocations between these vehicles with, at minimum, annual rebalancing to maintain the strategic allocation goals.

**Note 8 - Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at September 30:

	2018	2017
Contributions for future periods	\$ 3,163	\$ 17,250
Contributions for summer internships	40,358	50,000
	\$ 43,521	\$ 67,250

The endowment funds are invested in a checking account, money market account, and in mutual funds. These amounts are listed in the statements of financial position other assets section as restricted cash and restricted investments.

Permanently restricted net assets are available for the following purposes at September 30:

	2018	2017
Contributions for endowment	\$ 153,233	\$ 136,788

**Note 9 - Endowment Fund**

The Festival treats monies received as endowments as permanently restricted net assets at the fair market value of the initial contribution. Net income from these endowments may be spent as the Festival sees fit with the current policy that the distributions are limited to 4.5% of the average value of the endowment balance over the previous seven years, with no distributions to be made until the combined endowment accounts reach \$500,000. Endowments are invested with

**Ann Arbor Summer Festival, Inc.**  
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The endowment net asset composition by type of fund as of September 30, 2018 is as follows:

	Unrestricted	Permanently Restricted	Total
Permanently-restricted	\$ -	\$ 153,233	\$ 153,233
Board-designated	35,601	-	35,601
	<u>\$ 35,601</u>	<u>\$ 153,233</u>	<u>\$ 188,834</u>

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

	Unrestricted - Board Designated for Reinvestment	Permanently Restricted	Total
Beginning of year	\$ 21,616	\$ 136,788	\$ 158,404
Contributions	-	16,445	16,445
Investment income	4,412	-	4,412
Unrealized gain (loss)	9,573	-	9,573
End of year	<u>\$ 35,601</u>	<u>\$ 153,233</u>	<u>\$ 188,834</u>

The endowment net asset composition by type of fund as of September 30, 2017 is as follows:

	Unrestricted	Permanently Restricted	Total
Permanently-restricted	\$ -	\$ 136,788	\$ 136,788
Board-designated	21,616	-	21,616
	<u>\$ 21,616</u>	<u>\$ 136,788</u>	<u>\$ 158,404</u>

The changes in endowment net assets for the year ended September 30, 2017 are as follows:

	Unrestricted - Board Designated for Reinvestment	Permanently Restricted	Total
Beginning of year	\$ 6,134	\$ 93,667	\$ 99,801
Contributions	-	43,121	43,121
Investment income	6,725	-	6,725
Unrealized gain (loss)	8,757	-	8,757
End of year	<u>\$ 21,616</u>	<u>\$ 136,788</u>	<u>\$ 158,404</u>

**Return Objectives and Risk Parameters**

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

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Festival's return objective is a mix of the following investment vehicles: equity securities, mutual funds, fixed income securities (maturities longer than one year) and cash equivalents (maturities less than one year) and using targeted allocations between these vehicles with, at minimum, annual rebalancing to maintain strategic allocation goals.

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

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

**Ann Arbor Summer Festival, Inc.**  
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**Note 10 - Fair Value Measurements**

Fair value measurements establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Festival has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. The Festival's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of September 30, 2018:

	Balance at September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)
Equity securities	\$ 186,095	\$ 186,095	\$ -	\$ -
Money market	269	269	-	-
	<u>\$ 186,364</u>	<u>\$ 186,364</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures concerning assets and liabilities measured at fair value on a recurring basis are as follows as of September 30, 2017:

	Balance at September 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable inputs (Level 3)
Equity securities	\$ 149,738	\$ 149,738	\$ -	\$ -
Money market	264	264	-	-
	<u>\$ 150,002</u>	<u>\$ 150,002</u>	<u>\$ -</u>	<u>\$ -</u>



**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
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**Note 11 - Retirement Plan**

The Festival participates in a collective bargaining agreement with Local 395 of IATSE (International Alliance of Theatrical Stage of Employees) for performing artist services which represent approximately 7 percent of the total salaries incurred for each reported year. This agreement is effective through December 31, 2018.

The Festival contributes to the IATSE National Benefits Funds on behalf of applicable union employees. The pension and welfare contribution amounts are based on a set pay schedule. Amounts contributed for the years ended September 30, 2018 and 2017 were approximately \$8,122 and \$7,200, respectively.

The Festival maintains a 403(b) tax deferred annuity plan and a 457(b) deferred compensation plan for eligible employees not covered by the above plan. The contributions to the plans amount to \$0 and \$4,750 for the year September 30, 2018 and 2017, respectively.

**Note 12 - Operating Lease**

The Festival is renting office space at 210 Huronview, Ann Arbor, MI 48103. The current lease expires September 30, 2022. Future lease payments consist of the following:

2019	\$	18,540	
2020		18,900	
2021		19,800	
2022		20,400	
		20,400	
	\$	77,640	

Lease expense for 2018 and 2017 was \$18,800 and \$17,236, respectively which consisted solely of minimum rentals and no contingent rentals or sublease rental income.

**Note 13 - Related Party Transactions**

The Board of Directors and the Executive Committee of Ann Arbor Summer Festival, Inc. include members who are employees and/or directors/trustees of the University of Michigan or the City of Ann Arbor. These entities serve the Festival in the following capacities.

The University of Michigan provided financial support to the Festival in the amount of \$29,000 and \$54,000 for September 30, 2018 and 2017, respectively. The University of Michigan has granted \$29,000 per year for five years beginning fiscal year 2017 and ending fiscal year 2021. The grant is recorded as expenses are incurred and reimbursement is requested through the end of the grant period. Also, the Festival contracted with the University of Michigan for various services provided during the festival including, but not limited to, production offices, venue and equipment rentals, telephone, internet, event security, grounds, waste management, physical plant, and film services of which totaled approximately \$56,984 and \$57,800 for each year, respectively. Amounts due at year-end for these services were approximately \$21,257 and \$27,000, respectively, reflected in accounts payable.

The Festival contracts with The University Musical Society to provide movement and operation of ticket sales. The financial statements include charges for these services for the years ended September 30, 2018 and 2017, of approximately \$9,059 and \$11,700, respectively. Amounts due at year-end for these services were approximately \$2,518 and \$0, respectively, reflected in accounts payable.

The City of Ann Arbor provided financial support to the Festival in the amount of \$29,000 for each reported fiscal year. Services the City of Ann Arbor and The Downtown Development Authority provided included, but were not limited to, street closures, barricades, and parking during the festival that totaled approximately \$38,500 and \$27,600 for each year, respectively.

**Ann Arbor Summer Festival, Inc.**  
**Notes to the Financial Statements**  
**September 30, 2018**  
**(With Summarized Comparative Information for 2017)**

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**Note 14 - Concentration**

Grant income is made up of four main grantors, each contributing approximately 20-25% of total grant income recognized in fiscal year 2018. For fiscal year 2017, there were four major grantors, each contributing approximately 15-28% of total grant income.