



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Arts Council of Greater Lansing, Inc.

Financial Statements

September 30, 2023 and 2022

with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Arts Council of Greater Lansing, Inc. (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arts Council of Greater Lansing, Inc. as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arts Council of Greater Lansing, Inc. 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.

Emphasis of Matter

As discussed in note 11 to the financial statements, the Arts Council of Greater Lansing, Inc. restated its 2022 financial statements to properly state revenue and grants receivable. Our report is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arts Council of Greater Lansing, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arts Council of Greater Lansing, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arts Council of Greater Lansing, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan
February 21, 2024

Arts Council of Greater Lansing, Inc., Inc.
Statements of Financial Position
September 30, 2023 and 2022

	2023	2022
		<u>Restated</u>
Assets		
Current assets		
Cash and savings accounts	\$ 236,510	172,869
Grants receivable	180,934	177,105
Prepaid expenses	14,976	18,102
	432,420	368,076
Other assets		
Property and equipment, net	33,667	35,016
Long-term investments	479,608	512,387
Interest in assets held by foundation	1,087,251	995,818
Right of use asset, net of accumulated amortization	11,939	-
	1,612,465	1,543,221
	\$ <u>2,044,885</u>	<u>1,911,297</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 423	1,529
Accrued wages and related expenses	10,855	5,597
Accrued paid time off	9,444	14,677
Other accrued expenses	-	1,890
Deferred revenue	158,750	-
	179,472	23,693
Noncurrent liabilities:		
Grants payable	226,558	221,672
Net Assets		
Without donor restrictions	1,483,315	1,517,189
With donor restrictions	155,540	148,743
	1,638,855	1,665,932
	\$ <u>2,044,885</u>	<u>1,911,297</u>

See accompanying notes to the financial statements.

Arts Council of Greater Lansing, Inc., Inc.
Statement of Activities
Year Ended September 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Government grants	\$ 312,320	243,665	555,985
All other grants and contracts	145,087	-	145,087
Change in beneficial interest in assets held by foundation	91,433	-	91,433
Investment returns, net	87,634	-	87,634
Contributions	11,627	-	11,627
Membership dues	8,367	-	8,367
Program service fees	39,569	-	39,569
Contributed services	500	-	500
Contributed materials	23,250	-	23,250
Interest income	12,350	-	12,350
Other income	3,482	-	3,482
Net assets released from restrictions	<u>236,868</u>	<u>(236,868)</u>	<u>-</u>
	<u>972,487</u>	<u>6,797</u>	<u>979,284</u>
Expenses:			
Program services	827,008	-	827,008
Supporting services:			
Management and general	106,859	-	106,859
Fundraising	<u>72,494</u>	<u>-</u>	<u>72,494</u>
	<u>1,006,361</u>	<u>-</u>	<u>1,006,361</u>
Change in net assets	(33,874)	6,797	(27,077)
Net assets at beginning of year	<u>1,517,189</u>	<u>148,743</u>	<u>1,665,932</u>
Net assets at end of year	\$ <u><u>1,483,315</u></u>	<u><u>155,540</u></u>	<u><u>1,638,855</u></u>

See accompanying notes to the financial statements.

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

	Without Donor Restrictions	With Donor Restrictions Restated	Total
Revenues, gains, and other support:			
Government grants	\$ 247,131	291,262	538,393
All other grants and contracts	187,238	-	187,238
Change in beneficial interest in assets held by foundation	(249,192)	-	(249,192)
Investment returns, net	(67,670)	-	(67,670)
Contributions	19,668	-	19,668
Membership dues	6,957	-	6,957
Program service fees	40,526	-	40,526
Contributed services	3,000	-	3,000
Contributed materials	23,250	-	23,250
Interest income	6	-	6
Other income	341	-	341
Net Assets Released from Restriction	184,107	(184,107)	-
	395,362	107,155	502,517
Expenses:			
Program services	662,166	-	662,166
Supporting services:			
Management and general	91,616	-	91,616
Fundraising	48,843	-	48,843
	802,625	-	802,625
Change in net assets	(407,263)	107,155	(300,108)
Net assets at beginning of year	1,924,452	41,588	1,966,040
Net assets at end of year	\$ 1,517,189	148,743	1,665,932

See accompanying notes to the financial statements.

Arts Council of Greater Lansing, Inc., Inc.
Statement of Functional Expenses
Year Ended September 30, 2023

	Programs	Management and General	Fundraising	Total
Grants - organizations	\$ 484,925	-	-	484,925
Grants - individuals	8,000	-	-	8,000
Community art projects	75,000	-	-	75,000
Salaries and wages	132,465	55,194	33,116	220,775
Retirement	10,934	4,556	2,733	18,223
Payroll taxes	13,148	5,478	3,287	21,913
Professional services	4,675	3,400	425	8,500
Consulting	-	7,808	29,372	37,180
Advertising and promotion	3,299	2,969	330	6,598
Office expenses	10,597	6,182	883	17,662
Computer and IT expenses	15,981	9,322	1,332	26,635
Occupancy costs	11,864	6,921	989	19,774
Travel	324	189	27	540
Arts events and conferences	31,382	1,652	-	33,034
Depreciation	337	1,012	-	1,349
Insurance	559	1,676	-	2,235
Miscellaneous expense	268	-	-	268
In-kind expense - materials	23,250	-	-	23,250
In-kind expense - services	-	500	-	500
	<u>\$ 827,008</u>	<u>106,859</u>	<u>72,494</u>	<u>1,006,361</u>

See accompanying notes to the financial statements.

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

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants - organizations	\$ 357,873	-	-	357,873
Grants - individuals	5,500	-	-	5,500
Community art projects	75,000	-	-	75,000
Salaries and wages	126,877	52,865	31,719	211,461
Retirement	9,919	4,133	2,480	16,532
Payroll taxes	9,038	3,766	2,260	15,064
Professional services	3,383	2,460	308	6,150
Consulting	-	2,528	9,511	12,039
Advertising and promotion	3,897	3,507	390	7,793
Office expenses	8,035	4,687	670	13,392
Computer and IT expenses	6,157	3,591	513	10,261
Occupancy costs	11,857	6,917	988	19,763
Travel	71	42	6	118
Arts events and conferences	20,406	1,074	-	21,480
Depreciation	337	1,010	-	1,347
Insurance	562	1,685	-	2,247
Miscellaneous expense	5	350	-	355
In-kind expense - materials	23,250	-	-	23,250
In-kind expense - services	-	3,000	-	3,000
	<u>\$ 662,166</u>	<u>91,616</u>	<u>48,843</u>	<u>802,625</u>

See accompanying notes to the financial statements.

Arts Council of Greater Lansing, Inc., Inc.
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
		Restated
Cash flows from operating activities:		
Changes in net assets	\$ (27,077)	(300,108)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,349	1,347
Amortization of right of use assets	3,775	-
Net change in interest in assets held by foundation	(91,433)	249,192
Net (gain) loss on investments	(34,869)	117,377
Paycheck Protection Program loan forgiveness	-	(34,492)
Changes in operating assets and liabilities:		
Grants receivable	(3,829)	(143,394)
Prepaid expenses	3,126	(6,314)
Accounts payable	(1,106)	(3,270)
Accrued wages and related expenses	5,258	1,885
Accrued paid time off	(5,233)	7,533
Grants payable	4,886	84,456
Other accrued liabilities	(1,890)	-
Prepayment of lease liability	(15,714)	-
Deferred revenue	158,750	-
Net cash used in operating activities	(4,007)	(25,788)
Cash flows from investing activities:		
Cash received from sale of investments	225,209	177,548
Cash paid for purchase of investments	(157,561)	(167,819)
Net cash provided by investing activities	67,648	9,729
Net change in cash accounts	63,641	(16,059)
Cash accounts at beginning of year	172,869	188,928
Cash accounts at end of year	\$ 236,510	172,869

See accompanying notes to the financial statements.

1. ORGANIZATION AND ACCOUNTING POLICIES:

Organization

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

Major program descriptions

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

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

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

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

Basis of accounting and financial statement presentation

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

Use of estimates

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

Advertising costs

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

Revenue, contributions, and receivables

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

Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as revenues of the net assets without donor restrictions. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as revenues with donor restrictions. Contributions with donor restrictions whose restrictions are met in the same period as the contribution are reported within net assets without donor restrictions (see Note 11).

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

The Organization evaluates contributions for classification as conditional or unconditional. Unconditional contributions are reported as revenue and conditional contributions are reported as revenue only when all conditions have been met or the conditions have been explicitly waived by the donor and the right of return or right of release ceases to exist. Conditional contributions are reported as refundable advances on the statement of financial position until the contribution is recognized as revenue. There were no refundable advances as of September 30, 2023 and 2022.

Contributions and grants receivable that are expected to be collected within one year are recorded at their net realizable value. The Organization evaluates each receivable for collectability. All balances were determined to be collectible as of September 30, 2023 and 2022, therefore no allowances for uncollectible accounts has been recorded.

The Organization does special projects and events that represent an exchange transaction and are recorded at a point in time at the time of the event or service is performed. These revenues are recorded in the statement of activities as program service fees.

Contributed materials and services

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

In addition to the contributed materials and services which have been recorded in the financial statements, the Arts Council benefits from volunteers whose services do not meet the criteria for recognition according to accounting principles generally accepted in the United States of America. The estimated value of these volunteers is \$100,542 and \$95,162 for the years ended September 30, 2023 and 2022, respectively, and includes such services as board member meetings, grant review panels, interns, and fundraising event volunteers.

Deferred revenue

Deferred revenue represents advance sponsorship receipts which have not yet been expended for an event to occur in the following fiscal year. Deferred revenue for the years ended September 30, 2023 and 2022 was \$158,750 and \$0, respectively. Revenues and expenses related to these activities are reflected in the statements of activities in the period the event occurs.

Property and equipment

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

Investment income and expenses

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

Beneficial interest in assets held by foundation

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

Liquidity

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

	2023	2022
Cash and savings accounts	\$ 236,510	172,869
Grants receivable	180,934	177,105
Total	417,444	349,974
Restricted by donors with time or purpose restrictions	155,540	148,743
Financial assets available to meet cash needs for general purposes within one year	\$ 261,904	201,231

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has a quasi-endowment of \$479,608 (see Note 3). Although the Organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the quasi-endowment could be made available if necessary.

New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Organization elected to adopt this ASU effective October 1, 2022 using the modified retrospective approach. The Organization also elected multiple practical expedients. These included transition elections that permitted the Organization to not reassess prior conclusions about lease identification, lease classification, and initial direct costs for existing or expired leases, as well as not assessing existing land easements under the new standard. In addition, the Organization adopted ongoing accounting policies to not recognize ROU assets and lease liabilities for leasing arrangements with terms of less than one year and to not separate lease and non-lease components for all classes of underlying assets. The adoption recorded a right-of-use assets and liability in the amount of \$26,028 as of October 1, 2022.

Leases

The Organization leases the office building. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets in the Organization's statements of financial position.

Functional expenses

The costs of the Organization's programs and supporting services have been reported on a functional basis. This requires the allocation of certain costs among the various programs and supporting services based on estimates made by management. These estimates include allocations such as time and effort by employees, estimation of spaced used, or other similar allocation methods.

Reclassifications

Certain reclassifications in the 2022 financial statements have been reclassified to conform with the 2023 presentation.

Subsequent events

Subsequent events have been evaluated through February 21, 2024, which is the date the financial statements were available to be issued.

2. PROPERTY AND EQUIPMENT:

The details of property and equipment are presented below:

	<u>2023</u>	<u>2022</u>	<u>Estimated Life</u>
Equipment	\$ 24,354	27,393	3-10 Years
Leasehold improvements	<u>52,561</u>	<u>50,051</u>	39 Years
	76,915	77,444	
Accumulated depreciation	<u>43,248</u>	<u>42,428</u>	
Property and equipment, net	\$ <u>33,667</u>	<u>35,016</u>	

3. ENDOWMENTS:

Capital Region Community Foundation

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

Merrill Lynch

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

The tables below present endowment net asset composition by type of fund and the changes in endowment net assets for the years ended September 30, 2023 and 2022, respectively.

	2023	2022
	Without Donor Restrictions	Without Donor Restrictions
Board-designated endowment funds (ML)	\$ 479,608	512,387
Interest in assets held by foundation (CRCF)	<u>1,087,251</u>	<u>995,818</u>
Total Endowment funds	\$ <u>1,566,859</u>	<u>1,508,205</u>
Change in endowment net assets		
Endowment net assets, beginning of year	\$ 1,508,205	1,884,503
Investment returns, net	34,869	(117,377)
Sale of investments	(225,209)	(177,548)
Purchase of investments	157,561	167,819
Change in beneficial interest in assets held by foundation	<u>91,433</u>	<u>(249,192)</u>
Endowment net assets, end of year	\$ <u>1,566,859</u>	<u>1,508,205</u>

4. INVESTMENTS AND FAIR VALUE:

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

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

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

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

Merrill Lynch

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

These investments are designated by the Board of Directors for long-term investment (quasi-endowment). Earnings thereon may be appropriated for current use. Such earnings totaled \$76,000 and \$13,000 for the years ended September 30, 2023 and 2022, respectively.

Capital Region Community Foundation

The beneficial interest in assets held at CRCF have been valued at the fair value of the Arts Council's reciprocal share of the underlying investments held by CRCF as of September 30, 2023 and 2022, respectively, as reported by CRCF. CRCF values securities and other financial instruments on a recurring fair value basis of accounting. The estimated fair values of certain investments of CRCF, which includes securities for which prices are not readily available, are determined by the management of CRCF, and may not reflect amounts that could be realized upon immediate sale nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. At December 31, 2022 (the most recently audited financial statements available), CRCF's investments are composed approximately of 69 percent equity mutual funds, 30 percent fixed income mutual funds, and 1 percent money market and certificates of deposit (recorded at cost). At December 31, 2021, CRCF's investments are composed approximately of 72 percent equity mutual funds, 27 percent fixed income mutual funds, and 1 percent money market and certificates of deposit (recorded at cost). The beneficial interest in assets held at the Foundation is not redeemable by the Arts Council unless approved the board of CRCF as described in Note 3.

The following are the major categories of assets measured at fair value on a recurring basis for the years ended September 30, 2023 and 2022.

Description	2023			
	Total	Level 1	Level 2	Level 3
Common stocks	\$ 108,985	108,985	-	-
Mutual funds	<u>365,833</u>	<u>365,833</u>	-	-
Total securities at fair value	474,818	474,818	-	-
Cash in brokerage accounts	<u>4,790</u>			
Long-term investments	479,608			
Interest in assets held by foundation	<u>1,087,251</u>	-	-	<u>1,087,251</u>
Assets at fair value	\$ <u>1,566,859</u>	<u>474,818</u>	-	<u>1,087,251</u>

Description	2022			
	Total	Level 1	Level 2	Level 3
Common stocks	\$ 95,434	95,434	-	-
Mutual funds	<u>398,638</u>	<u>398,638</u>	-	-
Total securities at fair value	494,072	494,072	-	-
Cash in brokerage accounts	<u>18,315</u>			
Long-term investments	512,387			
Interest in assets held by foundation	<u>995,818</u>	-	-	<u>995,818</u>
Assets at fair value	\$ <u>1,508,205</u>	<u>494,072</u>	-	<u>995,818</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the years ended September 30, 2023 and 2022.

	2023	2022
Balance at beginning of year	\$ 995,818	1,245,010
Contributions	3,274	-
Interest	32,680	47,893
Realized gain (loss)	3,733	1,810
Unrealized gain (loss)	108,416	(245,073)
Distributions to the Council	(48,082)	(45,959)
Fees	<u>(8,588)</u>	<u>(7,863)</u>
Balance at end of year	\$ <u>1,087,251</u>	<u>995,818</u>

5. GRANTS PAYABLE:

The Organization receives funding that is designed to provide grants and support people and organizations that are focused on local artists or advancing the artists within the community. These grants are awarded and are due upon the recipient completing the full project and turning in the record documentation for reimbursement. The amount payable related to these grants for the years ended September 30, 2023 and 2022 was \$226,558 and \$221,672, respectively.

6. IN-KIND CONTRIBUTIONS:

The Organization received advertising, professional services, and other printed materials totally \$23,750 and \$26,250 for the years September 30, 2023 and 2022, respectively.

In-kind contributions included as support and expenses in the accompanying financial statements are as follow:

	2023		2022	
	Support	Expenses	Support	Expenses
Advertising	\$ 15,750	15,750	15,750	15,750
Professional services	500	500	3,000	3,000
Printed materials	7,500	7,500	7,500	7,500
	\$ 23,750	23,750	26,250	26,250

Billboards are used for advertising and are valued at fair market value. Printed materials are used for events and are valued at the published costs of the materials. Professional services are used for general and administrative activities and are valued at comparable market wages.

7. RETIREMENT PLAN:

The Arts Council maintains a 403(b) defined contribution retirement plan to which employees may contribute an annual maximum amount established by the Internal Revenue Service. The Arts Council will match up to 5% of the employee's gross compensation. Employer contributions for 2023 and 2022 were \$6,359 and \$6,846, respectively.

8. OPERATING LEASE:

The Organization has elected the option to use the risk-free rate to all classes of leased assets determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

The Organization has elected the practical expedient to not separate lease and non-lease components for all classes of leased assets.

Total lease costs for the year ended September 30, 2023 are as follows:

Operating lease expense	\$ 15,561
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The following table summarizes the supplemental cash flow information for the year ended September 30, 2023:

Right-of-use assets obtained in exchange for lease liabilities:	
Operating lease	\$ 27,282

Cash paid for amounts included in measurement of lease liability:	
Operating cash flows from operating lease	\$ 28,350

The following summarizes the weighted-average remaining lease term and weighted average discount rate:

Weighted average remaining lease term in years:	
Operating lease	0.75

Weighted average discount rate:	
Operating lease	4.22%

As of September 30, 2023, the Organization prepaid the remaining lease liabilities of \$13,095. No remaining maturities of lease liabilities.

9. INCOME TAXES:

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

The Arts Council evaluated all significant tax positions under a more likely than not threshold as required by U.S. GAAP. As of September 30, 2023 and 2022, the Arts Council does not believe that it has taken any tax positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Arts Council's income tax returns are subject to examination by the appropriate taxing jurisdictions. At September 30, 2023, the Arts Council's federal tax returns generally remain open for the last three years.

10. CONCENTRATIONS:

Approximately 43% and 53% of the Arts Council's support came from three sources for the years ended September 30, 2023 and 2022, respectively. The loss of a significant grantor may adversely impact the Arts Council in the near term.

11. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets of \$155,540 and \$148,743 were restricted for the express purpose of making grants to organizations within Ingham County at September 30, 2023 and 2022 respectively.

12. RESTATEMENT:

The financial statements for the year ended September 30, 2022, were restated to properly state revenue and grants receivable. Net assets without donor restrictions decreased by \$2,433 and net assets with donor restrictions increased by \$110,433, as of September 30, 2022. The following is a detail of the 2022 balances that changed:

	Previously Stated	Restated
Grants receivable	\$ 69,105	177,105
Government grants	\$ 455,393	538,393
All other grants and contracts	\$ 162,238	187,238
Net assets without donor restrictions - September 30, 2022	\$ 1,519,622	1,517,189
Net assets with donor restrictions - September 30, 2022	\$ 38,310	148,743

