

West Michigan Symphony
Financial Statements

For the Years Ended June 30, 2023 and 2022

West Michigan Symphony

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Michigan Symphony
Muskegon, Michigan

Opinion

We have audited the financial statements of West Michigan Symphony (a Michigan nonprofit corporation), which comprise the statements of financial position as of June 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 accompanying financial statements present fairly, in all material respects, the financial position of West Michigan Symphony as of June 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 (GAAS). 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 West Michigan Symphony 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.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2023, the entity adopted new accounting guidance regarding lease accounting in Accounting Standards Update No. 2016-02 (*Topic 842*). Our opinion is not modified with respect to this 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 West Michigan Symphony's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility 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 GAAS 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 GAAS, 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 West Michigan Symphony'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 West Michigan Symphony'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.

Respectfully submitted,

H&S Companies, P.C.

H&S Companies, P.C.
Reed City, Michigan

November 15, 2023

WEST MICHIGAN SYMPHONY
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS

	2023	As restated 2022
Current Assets		
Cash and Cash Equivalents	\$ 1,012,261	\$ 427,770
Promises to Give, Current	245,978	418,876
Inventory	1,945	2,514
Prepaid Expenses and Other Assets	12,893	10,832
Total Current Assets	1,273,077	859,992
Noncurrent Assets		
Promises to Give, Noncurrent	65,000	-
Right-of-Use Assets, Operating	189,528	206,709
Property and Equipment, Net of Accumulated Depreciation	540,991	575,093
Beneficial Interest in Assets Held by Community Foundations	230,163	488,091
Total Noncurrent Assets	1,025,682	1,269,893
Total Assets	\$ 2,298,759	\$ 2,129,885

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable	\$ 4,416	\$ 6,391
Accrued Liabilities	223,619	107,302
Deferred Revenue	258,131	226,330
Operating Lease Obligations	189,756	206,709
Finance Lease Obligations	15,734	20,249
Total Liabilities	691,656	566,981
Net Assets		
Net Assets Without Donor Restrictions	977,922	918,467
Net Assets With Donor Restrictions	629,181	644,437
Total Net Assets	1,607,103	1,562,904
Total Liabilities and Net Assets	\$ 2,298,759	\$ 2,129,885

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

**WEST MICHIGAN SYMPHONY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,**

	<u>2023</u>			<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support						
Program Revenues						
Admissions	\$ 394,785	\$ -	\$ 394,785	\$ 275,156	\$ -	\$ 275,156
Program and Ticket Advertising	14,560	-	14,560	9,627	-	9,627
Other	66,973	-	66,973	52,045	-	52,045
Contributions						
Individual	578,076	21,170	599,246	441,999	254,162	696,161
Corporate	114,189	-	114,189	123,821	-	123,821
Foundation	128,724	30,000	158,724	174,020	237,287	411,307
Interest and Rents	25,449	3,647	29,096	833	-	833
Special Event	132,852	-	132,852	122,509	-	122,509
Net Assets released from Restrictions	70,073	(70,073)	-	237,287	(237,287)	-
Total Revenue and Support	1,525,681	(15,256)	1,510,425	1,437,297	254,162	1,691,459
Expenses						
Program Services						
Concert Production	1,078,050	-	1,078,050	911,170	-	911,170
Supporting Services						
Management and General	240,193	-	240,193	221,612	-	221,612
Fundraising	147,983	-	147,983	180,942	-	180,942
Total Supporting Services	388,176	-	388,176	402,554	-	402,554
Total Expenses	1,466,226	-	1,466,226	1,313,724	-	1,313,724
Change in Net Assets	59,455	(15,256)	44,199	123,573	254,162	377,735
Net Assets - Beginning of Year	918,467	644,437	1,562,904	794,894	390,275	1,185,169
Net Assets - End of Year	\$ 977,922	\$ 629,181	\$ 1,607,103	\$ 918,467	\$ 644,437	\$ 1,562,904

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

WEST MICHIGAN SYMPHONY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Concert Production</u>	<u>Management and General</u>	<u>Fundraising</u>	
Compensation and Related Expenses				
Compensation	\$ 389,512	\$ 106,728	\$ 59,263	\$ 555,503
Employee Benefits	38,455	13,734	2,747	54,936
Payroll Taxes	26,436	9,441	1,888	37,765
Total Compensation and Related Expenses	<u>454,403</u>	<u>129,903</u>	<u>63,898</u>	<u>648,204</u>
Accounting	-	12,250	-	12,250
Consulting Fees	122	-	-	122
Advertising and Promotion	76,745	-	-	76,745
Office Expenses	-	30,434	7,608	38,042
Occupancy	14,300	27,851	40,642	82,793
Interest	-	1,639	-	1,639
Depreciation and Amortization	4,995	28,304	-	33,299
Insurance	-	8,401	-	8,401
Guest Artist and Musician Fees	350,143	-	-	350,143
Ticketing and Credit Card Fees	13,025	-	12,988	26,013
Production Costs	164,317	-	-	164,317
Campaign Expenses	-	-	22,847	22,847
Other Expenses	-	1,411	-	1,411
Total Functional Expenses	<u>\$ 1,078,050</u>	<u>\$ 240,193</u>	<u>\$ 147,983</u>	<u>\$ 1,466,226</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

WEST MICHIGAN SYMPHONY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Concert Production</u>	<u>Management and General</u>	<u>Fundraising</u>	
Compensation and Related Expenses				
Compensation	\$ 337,812	\$ 97,337	\$ 51,549	\$ 486,698
Employee Benefits	35,444	10,127	5,063	50,634
Payroll Taxes	27,340	7,811	3,906	39,057
Total Compensation and Related Expenses	<u>400,596</u>	<u>115,275</u>	<u>60,518</u>	<u>576,389</u>
Accounting	-	27,936	-	27,936
Consulting Fees	4,703	-	-	4,703
Advertising and Promotion	43,537	-	-	43,537
Office Expenses	-	7,550	30,199	37,749
Occupancy	14,300	31,476	36,685	82,461
Interest	-	2,078	-	2,078
Depreciation and Amortization	5,233	29,652	-	34,885
Insurance	-	7,645	-	7,645
Guest Artist and Musician Fees	285,080	-	-	285,080
Ticketing and Credit Card Fees	9,801	-	22,157	31,958
Production Costs	147,920	-	-	147,920
Campaign Costs	-	-	31,383	31,383
Total Functional Expenses	<u>\$ 911,170</u>	<u>\$ 221,612</u>	<u>\$ 180,942</u>	<u>\$ 1,313,724</u>

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

**WEST MICHIGAN SYMPHONY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	2023	As restated 2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ 44,199	\$ 377,735
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	33,299	34,885
(Gain) Loss on Disposition of Equipment	803	286
(Increase) Decrease in Operating Assets		
Receivables	107,898	100,733
Prepaid Expenses and Other Assets	(2,061)	(5,955)
Inventory	569	(2,514)
Right-of-Use Assets	17,181	(206,709)
Beneficial Interest in Assets held by Community Foundations	257,928	436,434
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(1,975)	5,330
Accrued Liabilities	116,317	(672,145)
Deferred Revenue	31,801	11,883
Operating Lease Obligations	(16,953)	206,709
Finance Lease Obligations	(4,515)	(4,127)
Net Cash Provided (Used) by Operating Activities	584,491	282,545
Cash Flows from Financing Activities		
Payroll Protection Program Loan Forgiveness	-	(91,667)
Due to Foundation	-	(5,000)
Net Cash (Used) by Financing Activities	-	(96,667)
Net Increase (Decrease) in Cash	584,491	185,878
Cash and Cash Equivalents - Beginning of Year	427,770	241,892
Cash and Cash Equivalents - End of Year	\$ 1,012,261	\$ 427,770

See Independent Auditor's Report and Accompanying Notes to the Financial Statements

**WEST MICHIGAN SYMPHONY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The West Michigan Symphony (the “Organization”) was organized in Muskegon, Michigan in 1939 and continues to be a widely recognized orchestra. The West Michigan Symphony seeks to stimulate and inspire through orchestral productions and is comprised of professional musicians playing a challenging repertoire and presenting some of the world's most talented guest artists. Significant sources of revenue are from contributions, grants, ticket sales, education events and special events.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

Basis of Presentation

The accompanying financial statement presentation has been prepared on the accrual basis of accounting. On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying changes retrospectively to the comparative period presented. The new standards change the following aspects of The Organization’s financial statements:

Net assets without donor restrictions: Net assets not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization management and 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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

As of June 30, 2023 and 2022, The Organization had \$629,181 and \$644,437, respectively, of net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Revenue Recognition

The Organization records appropriations, grants, and earned revenues on an accrual basis. Contributions are recorded as revenue at their fair value in the period they are received unconditionally. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Substantially all of the Organization's grants are considered to be contributions for purposes of applying the revenue recognition policies. Contributions are recorded net of estimated uncollectible amounts. As of June 30, 2023 and 2022, all amounts were considered collectible.

Ticket sales for the succeeding fiscal year, which are received in advance, are reported as deferred revenue and are not recognized as revenue until the fiscal year earned.

WEST MICHIGAN SYMPHONY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks and cash on hand. The Organization considers all highly liquid investments to be cash equivalents. Management believes the Organization is not exposed to any significant interest rate or other financial risk on these deposits.

The Organization maintains its cash balances in two financial institutions located in Muskegon, Michigan. The balances at these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of June 30, 2023 and 2022, all of the Organization's bank balances were covered by FDIC.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Property and Equipment

Property and equipment is recorded at cost if purchased and at fair value at the date of contribution of assets donated to the Organization. The Organization capitalizes additions of property and equipment in excess of \$2,500 cost or fair value, if donated, and a useful life greater than one year. Depreciation is provided on a straight-line basis over the following estimated useful lives of the assets:

<u>Assets</u>	<u>Years</u>
Buildings	39
Building Improvements	15 - 40
Licenses and Other Intangibles	20
Furniture and Equipment	3 - 20
Production Equipment	3 - 20

Leases

The Organization recognizes and measures its leases in accordance with the Financial Accounting Standard's Board (FASB) Accounting Standard Update (ASU) No. 2016-02, Leases. The Organization has an operating lease for the use of administrative offices and adjacent performance space. Operating leases are included in the right-of-use (ROU) assets and lease liabilities on the balance sheet.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. The ROU assets and liabilities are recognized at the commencement date and are based on the present value of its future lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease expense from operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as an expense when incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

WEST MICHIGAN SYMPHONY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

The Organization has made certain assumptions and judgements in determining the discount rate, as most operating leases do not provide an implicit rate. The Organization uses the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

Volunteers

A number of volunteers, including the members of the Board of Directors, have made significant contributions of time to the Organization's policy making, program, and support functions. The value of this contributed times does not meet the criteria for recognition of contributed services contained in FASB ASC 958-605 and, accordingly, is not reflected in the accompanying financial statements.

Tax Basis

The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Organization may be subject to federal income tax on unrelated business activities. The Organization evaluates any tax position in accordance with existing generally accepted accounting principles, and makes such accruals and disclosures as might be required thereunder. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal returns for the years ended June 30, 2023 and 2022 are subject to examination by the Internal Revenue Service for the three years after they were filed.

Compensated Absences

The Organization grants personal leave (i.e. paid time off or PTO) to its full-time employees. All PTO must be taken and no unused leave may be carried over to subsequent years. Upon termination, an employee will be paid the amount of PTO accrued and unused at their current salary rate.

Retirement Benefits

The Organization participates in 401(K) plan through Alerus Retirement Solutions. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. After completion of 90 days, employees who work a minimum of 1,000 hours annually may participate as established by the Organization; the plan is funded by participants to the extent they elect to defer their compensation into the plan, and by matching contributions from the Organization of 2% of covered employee wages. The Organization's contributions for each employee are fully vested after three years of steady employment and are forfeited if employee leaves prior to being fully vested. Contributions to the plan for the year ended June 30, 2023 and 2022 totaled \$27,620, and \$26,516, of which \$5,260 and \$5,571, respectively, were Organization contributions.

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 at the date of the financial statements. Actual results may differ from those estimates.

**WEST MICHIGAN SYMPHONY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has evaluated subsequent events through November 15, 2023, the date the financial statements were available to be issued.

NOTE 2 - MEASURES OF OPERATIONS

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities of West Michigan Symphony and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments that other activities considered to be of more unusual and nonrecurring nature.

NOTE 3 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish 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 market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not considered active or financial instruments with significant inputs, including quoted prices for similar assets or liabilities, interest rates, credit risks, etc.

Level 3 - Significant unobservable inputs which may include the Organization's own assumptions in determining fair value.

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.

NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization has two funds with the Community Foundation for Muskegon County (CFFMC) and one with the Grand Haven Area Community Foundation (GHACF).

The "**To Secure The Spirit**" Fund was established in 1992 as a permanent endowment fund of the Organization. The fund and any earnings thereon are owned and directed by the Community Foundation. The Community Foundation's trustees determine the timing and amount of any distributions.

**WEST MICHIGAN SYMPHONY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Currently, the Organization is involved in another fundraising effort, called **“Play Your Part.”** This fundraising campaign began in 2020, for two primary purposes: 1) Grow our endowment; and 2) Expand our education effort. The **“Play Your Part”** endowment is held at both the CFFMC and GHACF. The endowment assets were created through transfers of existing assets of the **“Play Your Part”** campaign and are supplemented with donor contributions given directly to the Organization as well as gifts earmarked for the respective endowments at CFFMC and GHACF. The endowment fund assets are administered and managed by both the CFFMC and the GHACF.

Accordingly, contributions to the funds made directly to the CFFMC and GHACF have been excluded from the unrestricted assets of the Organization in accordance with FASB ASC 958-605-50-6. June 30, 2023 and 2022, the balances in the **“To Secure The Spirit”** Fund and the **“Play Your Part Campaign”** Fund are consisted solely of contributions made directly to the CFFMC and GHACF.

The Board of Trustees of the Community Foundation for Muskegon County and the Grand Haven Area Community Foundation have the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The authority to modify restrictions is sometimes referred to as the "variance power" and is a legal standard imposed on all community foundations,

At June 30, 2023 and 2022, the fair market value of the **“To Secure The Spirit”** fund was \$573,958 and \$547,135, respectively. During the years ended June 30, 2023 and 2022, the Organization received distributions from the fund of \$22,996 and \$22,456, respectively.

At June 30, 2023, the fair market value of the **“Play Your Part”** fund at the CFFMC and the GHACF was \$1,844,706 and \$95,891, respectively, and \$960,136 and \$81,308, respectively, as of June 30, 2022. During the years ended June 30, 2023 and 2022, the Organization received distributions from the fund of \$18,851 and \$2,681, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

	2023	2022
Office Equipment	\$ 119,702	\$ 122,297
Production Equipment	166,959	172,625
Liquor License	31,912	31,912
Leasehold Improvements	548,478	549,928
	867,051	876,762
Less Accumulated Depreciation	(326,060)	(301,669)
Total	\$ 540,991	\$ 575,093

Depreciation expense for the years ended June 30, 2023 and 2022 was \$33,299 and \$34,885, respectively.

**WEST MICHIGAN SYMPHONY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 6 – CONTINGENCIES

Grant Programs

The Organization participates in grant programs which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at a future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

NOTE 7 - LEASES

Operating Leases

Effective July 01, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 01, 2021 (the beginning of the earliest period presented) (a) a lease liability of \$208,089, which represents the present value of the remaining lease payments of \$255,310, discounted using the Organization’s incremental borrowing rate of 4.25%, and (b) a right-of-use asset of \$208,089, which represents the lease liability of \$208,089.

The Organization currently leases its administrative offices and an adjacent performance space under an agreement expiring May 2032. The lease requires monthly payments of \$2,110 plus common area maintenance (CAM). Rent expense for the years ended June 30, 2023 and 2022 was \$44,911 and \$44,584, respectively.

The future minimum payments required by the lease agreement are scheduled as follows:

<u>Year ending June 30</u>	<u>2023</u>	<u>2022</u>
2023	\$ -	\$ 25,320
2024	25,320	25,320
2025	25,320	25,320
2026	25,320	25,320
2027	25,320	25,320
2028	25,320	25,320
Thereafter (2029-2032)	<u>101,280</u>	<u>101,280</u>
Total lease payments	<u>\$ 227,880</u>	<u>\$ 253,200</u>
Less Present Value Discount	(38,124)	(46,491)
Total Lease Liability	\$ 189,756	\$ 206,709

**WEST MICHIGAN SYMPHONY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

Finance Leases

Effective July 01, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Company accounted for its existing capital lease as a finance lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the capital lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 01, 2021 (the beginning of the earliest period presented) a lease liability at the carrying amount of the capital lease obligation on June 30, 2022, of \$20,249 and a right-of-use asset at the carrying amount of the capital lease asset of \$19,911.

The Organization leases a Xerox printer from Xerox Financial Services requiring monthly payments of \$513 under a capital lease expiring in 2026.

The future minimum payments required by the agreements are as follows:

<u>Year ending June 30</u>	<u>2023</u>	<u>2022</u>
2023	\$ -	\$ 6,156
2024	6,156	6,156
2025	6,156	6,156
2026	5,643	5,643
2027	-	-
Total future minimum lease payments	<u>\$ 17,955</u>	<u>\$ 24,111</u>

Other supplemental information as of and for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Cash Paid for Amount Included in Measurement of Lease Liability:		
Net Operating Cash Flows from:		
Finance Leases	\$ (6,156)	\$ (6,156)
Operating Leases	\$ (25,320)	\$ (25,320)
Weighted Average Remaining Lease Term:		
Finance Leases	3	4
Operating Leases	9	10
Weighted Average Discount Rate:		
Finance Leases	9.00%	9.00%
Operating Leases	4.25%	4.25%

**WEST MICHIGAN SYMPHONY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization has net assets with donor (purpose) restrictions as of June 30, 2023 and 2022 as follows:

	2023	2022
Community Foundation for Muskegon County - Tune Up	\$ 605,341	\$ 640,597
Grand Haven Area Community Foundation - Tune Up	3,840	3,840
Grand Haven Area Community Foundation - Link Up	20,000	-
	\$ 629,181	\$ 644,437

NOTE 9 – ADVERTISING

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising including printing and design are recorded as expenses as incurred. Advertising costs totaled \$76,745 and \$43,537, for the years ended June 30, 2023 and 2022, respectively.

NOTE 10 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid for the years ended June 30, 2023 and 2022 was \$1,639 and \$2,078, respectively.

NOTE 11 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain cost have been allocated among the programs and supporting services benefited. Management and general expenses include those that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditures within one year of the balance sheet date, consist of the following:

	2023	2022
Unrestricted Cash and Cash Equivalents	\$1,012,261	\$ 427,770
Promises to Give	310,978	418,876
Total Financial Assets	\$1,323,239	\$ 846,646

NOTE 13 – LINE OF CREDIT

The Organization established a line of credit with Choice One Bank on November 25, 2021. The amount available was \$150,000 with an interest rate of the prime rate plus 1%. The balance was \$0 at year end and was renewed during the year.

WEST MICHIGAN SYMPHONY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the Organization implemented the following Accounting Standards Update (ASU) issued by the Financial Accounting Standards Board (FASB) – FASB ASU No. 2016-02, *Leases (Topic 842)* and FASB ASU No. 2020-07, *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. The new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record certain leases and liabilities for leases that were previously classified as operating leases. The new guidance requires the recording of intangible right-of-use assets and corresponding lease liabilities on the statement of financial position. The guidance also requires additional disclosures to better inform financial statement users of the amount, timing, and uncertainty of cash flows, arising from leases.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques.

There was no material impact on the Organization's financial statements after the adoption of ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*.

See Note 7 for changes due to adoption of ASU No. 2016-02.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The Organization has elected to apply ASC 842 in the earliest period presented, which resulted in the recognition of a right-of-use asset and a lease liability of \$206,709 as of June 30, 2022. There was no impact to the lease expense, net income, or net assets for the year of transition.