

Arts Council of Greater Lansing, Inc.

Financial Statements

September 30, 2019 and 2018

(With Independent Auditors' Report)

TABLE OF CONTENTS

Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to the Financial Statements	7-14

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Arts Council of Greater Lansing, Inc. (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2019, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well 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 the Arts Council of Greater Lansing, Inc. as of September 30, 2019, 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.

Other Matter – Prior Period Financial Statements

The financial statements of the Arts Council of Greater Lansing as of September 30, 2018, were audited by Warmels & Comstock, PLLC, who merged with Clark, Schaefer, Hackett and Co. as of July 1, 2019. Their report, dated March 22, 2019, expressed an unmodified opinion on those statements.

Clark, Schaefer, Hackett & Co.

Clark, Schaefer, Hackett & Co.
East Lansing, Michigan
March 17, 2020

ARTS COUNCIL OF GREATER LANSING, INC.
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2019 AND 2018

Assets	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and savings accounts	\$ 100,482	\$ 218,804
Grants receivable	94,622	43,441
Long-term investments appropriated for current use	26,000	26,000
Prepaid expenses	<u>14,339</u>	<u>24,052</u>
Total Current Assets	235,443	312,297
Other Assets		
Property and equipment, net	39,160	41,536
Long-term investments, net of current appropriation	557,548	572,216
Interest in assets held by foundation	<u>1,036,073</u>	<u>1,066,691</u>
Total Other Assets	<u>1,632,781</u>	<u>1,680,443</u>
Total Assets	<u><u>\$ 1,868,224</u></u>	<u><u>\$ 1,992,740</u></u>
Liabilities and Net Assets		
Current Liabilities		
Payroll taxes	\$ 3,868	\$ 5,925
Accrued wages and related expenses	591	7,738
Accounts payable	3,324	10,554
Accrued paid time off	4,911	985
Grants payable	145,470	158,425
Other accrued expenses	30,672	5,500
Deferred revenue	<u>2,500</u>	<u>28,045</u>
Total Current Liabilities	191,336	217,172
Net Assets		
Without donor restrictions	<u>1,676,888</u>	<u>1,775,568</u>
Total Net Assets	<u>1,676,888</u>	<u>1,775,568</u>
Total Liabilities and Net Assets	<u><u>\$ 1,868,224</u></u>	<u><u>\$ 1,992,740</u></u>

ARTS COUNCIL OF GREATER LANSING, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Changes in net assets without donor restrictions		
Revenues, Gains, and Other Support:		
Government grants	\$ 233,483	\$ 216,202
All other grants and contracts	125,249	177,837
Change in beneficial interest in assets held by foundation	11,801	67,961
Investment returns, net	24,332	25,396
Contributions	22,642	30,689
Membership dues	12,143	13,860
Program service fees	108,860	101,345
Gross profit on fundraising events, net of direct expenses of \$9,583 and \$6,478	16,525	18,569
Contributed services	57,221	47,741
Contributed materials	5,000	5,000
Interest income	106	41
	617,362	704,641
Revenues, Gains, and Other Support Without Donor Restrictions		
	617,362	704,641
Net Assets Released from Restriction	-	31,000
Total Revenues, Gains, and Other Support	617,362	735,641
Expenses:		
Program services	568,562	598,482
Supporting services:		
Management and general	109,441	96,640
Fundraising	38,039	41,261
	716,042	736,383
Total Expenses		
Change in Net Assets Without Donor Restrictions	(98,680)	(742)
Changes in net assets with donor restrictions		
Net assets released from restriction	-	(31,000)
Change in Net Assets With Donor Restrictions	-	(31,000)
Change in Total Net Assets	(98,680)	(31,742)
Net Assets at Beginning of Year	1,775,568	1,807,310
Net Assets at End of Year	\$ 1,676,888	\$ 1,775,568

ARTS COUNCIL OF GREATER LANSING, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019			
	Programs	Management and General	Fundraising	Total
Grants - organizations	\$ 166,069	\$ -	\$ -	\$ 166,069
Grants - individuals	8,000	-	-	8,000
Community art projects	75,007	-	-	75,007
Salaries and wages	101,308	42,215	25,329	168,852
Pension and retirement	2,941	1,226	735	4,902
Employee benefits	5,369	2,237	1,342	8,948
Payroll taxes	8,173	3,406	2,043	13,622
Management fees	3,000	-	-	3,000
Accounting	4,546	3,306	413	8,265
Advertising and promotion	10,733	9,660	1,073	21,466
Office expenses	13,427	7,833	1,119	22,379
Computer and IT expenses	9,091	5,303	758	15,152
Occupancy costs	12,164	7,096	1,014	20,274
Travel	2,770	1,616	231	4,617
Arts events and conferences	103,106	5,482	1,060	109,648
Depreciation	594	1,782	-	2,376
Insurance	311	933	-	1,244
In-kind expense - services	36,953	17,346	2,922	57,221
In-kind expense - materials	5,000	-	-	5,000
	<u>\$ 568,562</u>	<u>\$ 109,441</u>	<u>\$ 38,039</u>	<u>\$ 716,042</u>
Total	<u>\$ 568,562</u>	<u>\$ 109,441</u>	<u>\$ 38,039</u>	<u>\$ 716,042</u>

ARTS COUNCIL OF GREATER LANSING, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

2018

	Programs	Management and General	Fundraising	Total
Grants - organizations	\$ 155,095	\$ -	\$ -	\$ 155,095
Grants - individuals	5,800	-	-	5,800
Community art projects	147,092	-	-	147,092
Salaries and wages	110,126	45,886	27,531	183,543
Pension and retirement	2,138	891	535	3,564
Employee benefits	4,864	2,026	1,216	8,106
Payroll taxes	8,902	3,710	2,226	14,838
Management fees	-	4,000	-	4,000
Accounting	5,486	3,989	499	9,974
Advertising and promotion	7,174	6,456	717	14,347
Office expenses	10,690	6,236	891	17,817
Computer and IT expenses	9,048	5,278	754	15,080
Occupancy costs	12,866	7,505	1,072	21,443
Travel	1,906	1,112	159	3,177
Arts events and conferences	69,156	3,640	3,089	75,885
Depreciation	848	2,545	-	3,393
Insurance	122	366	-	488
In-kind expense - materials	42,169	3,000	2,572	47,741
In-kind expense - services	5,000	-	-	5,000
Total	\$ 598,482	\$ 96,640	\$ 41,261	\$ 736,383

ARTS COUNCIL OF GREATER LANSING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Changes in net assets	\$ (98,680)	\$ (31,742)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,376	3,393
Net realized and unrealized (gain) loss, net	(36,133)	(93,357)
Changes in operating assets and liabilities:		
Grants and other receivables	(51,181)	120,469
Accounts payable	(7,230)	2,185
Prepaid expenses	9,713	(3,643)
Grants payable	(12,955)	14,580
Payroll taxes	(2,057)	933
Accrued wages	(3,221)	-
Other accrued liabilities	25,172	5,500
Deferred revenue	(25,545)	1,000
	(199,741)	19,318
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Cash received from investments	476,854	279,886
Cash paid for investments and investment fees	(395,435)	(149,708)
	81,419	130,178
Net cash provided by investing activities		
Net increase (decrease) in cash accounts	(118,322)	149,496
Cash accounts - beginning of year	218,804	69,308
Cash accounts - end of year	\$ 100,482	\$ 218,804

ARTS COUNCIL OF GREATER LANSING, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING SEPTEMBER 30, 2019 AND 2018

Note 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 gallery 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.

Revenue 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 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 at September 30, 2019 and 2018, therefore no allowances for uncollectible accounts has been recorded.

Note 1 – Organization and Accounting Policies (continued)

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, artist promotion, and administrative support.

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 \$127,918 and \$153,740 for the years ended September 30, 2019 and 2018, respectively, and include 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. At September 30, 2019 and 2018, the majority of these receipts relate to the Creative Placemaking Summit held each October and the Holiday Glitter fundraiser held each December. Revenues and expenses related to these activities are reflected in the statements of activities in the period the event occurs. Included in receivables at September 30, 2018, is \$30,000 attributable to deferred revenue.

Restricted Contributions

If the Organization receives donor-restricted contributions and all such restrictions are met within the same period, all such contributions are reported as contributions without donor restrictions (see Note 11).

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.

Property and Equipment

Leasehold improvements and equipment are capitalized at its cost basis 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, all of which are reflected within investment gains (losses), net of direct expenses, in the statements of activities. Investment-related expenses are included in net gain or loss of investments.

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 contributions from the Arts Council, earnings or losses on the underlying investments, distributions, and fees during the year.

Note 1 – Organization and Accounting Policies (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses used allocations except for grants, community art projects, management fees, and contributed services and materials. Expenses are allocated on the basis of estimates of time and effort.

Liquidity

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

	2019
Cash and savings accounts	\$ 100,482
Grants and accounts receivable	94,622
Appropriation of endowment fund	26,000
Total	\$ 221,104

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 \$583,548 (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.

Note 2 – Property and Equipment

The details of property and equipment are presented below:

	2019	2018	Estimated Life
Equipment	\$ 27,393	\$ 29,172	3-10 Years
Leasehold improvements	50,051	50,051	39 Years
Gross equipment cost	77,444	79,223	
Accumulated depreciation	38,284	37,687	
Property and equipment, net	\$ 39,160	\$ 41,536	

Note 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 will maintain these separate investments 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.

ARTS COUNCIL OF GREATER LANSING, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDING SEPTEMBER 30, 2019 AND 2018

Note 3 – Endowments (continued)

During the year ended September 30, 2010, the Arts Council transferred \$650,000 to CRCF. This money was earned primarily as a result of the land and building sale recognized in the year-ended September 30, 2008. During the year ended September 30, 2012, the Arts Council transferred another \$100,000 to CRCF.

Merrill Lynch, Pierce, Fenner & Smith

Separately, 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, Pierce, Fenner & Smith (MLPFS). 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, 2019 and 2018, respectively.

	2019 Without Donor Restrictions	2018 Without Donor Restrictions
Board-designated endowment funds (MLPFS)	\$ 583,548	\$ 598,216
Interest in assets held by foundation (CRCF)	1,036,073	1,066,691
Total Endowment funds	\$ 1,619,621	\$ 1,664,907
	2019 Without Donor Restrictions	2018 Without Donor Restrictions
Endowment net assets, beginning of year	\$ 1,664,907	\$ 1,701,728
Investment returns, net	36,133	93,357
Appropriation of endowment assets for expenditure	(81,419)	(130,178)
Endowment net assets, end of year	\$ 1,619,621	\$ 1,664,907

Note 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.

ARTS COUNCIL OF GREATER LANSING, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDING SEPTEMBER 30, 2019 AND 2018

Note 4 – Investments and Fair Value (continued)

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 best information available.

MLPFS – 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. Long-term investment activity is reflected in the following table.

	2019	2018
Beginning of year	\$ 598,216	\$ 661,820
Investment return, net	24,332	25,396
Amounts appropriated for current operations	(39,000)	(89,000)
End of year	\$ 583,548	\$ 598,216

CRCF

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, 2019 and 2018, respectively, as reported by CRCF. These are categorized as level 3 measurement assets. 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, 2018 (the most recently audited financial statements available), CRCF’s investments are composed approximately of 73 percent equities, 25 percent corporate bonds, and 2 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.

ARTS COUNCIL OF GREATER LANSING, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING SEPTEMBER 30, 2019 AND 2018

Note 4 – Investments and Fair Value (continued)

The following are the major categories of assets measured at fair value on a recurring basis for the years ended September 30, 2019 and 2018.

Description	2019			
	Total	Level 1	Level 2	Level 3
Common stocks	\$ 83,533	\$ 83,533	\$ -	\$ -
Mutual funds	490,766	490,766	-	-
Total securities at fair value	574,299	574,299	-	-
Cash in brokerage accounts	9,249			
Long-term investments	583,548			
Interest in assets held by foundation	1,036,073	-	-	1,036,073
Assets at fair value	<u>\$ 1,619,621</u>	<u>\$ 574,299</u>	<u>\$ -</u>	<u>\$ 1,036,073</u>

Description	2018			
	Total	Level 1	Level 2	Level 3
Common stocks	\$ 114,651	\$ 114,651	\$ -	\$ -
Mutual funds	470,703	470,703	-	-
Total securities at fair value	585,354	585,354	-	-
Cash in brokerage accounts	12,862			
Long-term investments	598,216			
Interest in assets held by foundation	1,066,691	-	-	1,066,691
Assets at fair value	<u>\$ 1,664,907</u>	<u>\$ 585,354</u>	<u>\$ -</u>	<u>\$ 1,066,691</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, 2019 and 2018.

	2019	2018
Balance at beginning of year	\$ 1,066,691	\$ 1,039,908
Investment returns, net	11,801	67,961
Distributions	(42,419)	(41,178)
Balance at end of year	<u>\$ 1,036,073</u>	<u>1,066,691</u>

Included in net gains from investments are unrealized holding gains (loss) of \$2,674 and \$15,605 for the years ended September 30, 2019 and 2018, respectively.

Note 5 – 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 2019 and 2018 were \$4,902 and \$3,564, respectively.

ARTS COUNCIL OF GREATER LANSING, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING SEPTEMBER 30, 2019 AND 2018

Note 6 – Subsequent Events

Subsequent events have been reviewed through March 17, 2020, which is the date the financial statements were available for issuance.

The effects of the pandemic resulting from the novel coronavirus, known as COVID-19, has had significant effects on all aspects of the economy, including significant declines in stock market indices. As a result of these declines, the value of its investments in publicly traded securities held by Merrill Lynch declined from \$586,548 as of December 31, 2019, to \$498,950 as of March 17, 2020. Management was unable to determine the value of its interest in assets held by foundation, but expects similar declines.

Note 7 – Leases

In 2019, the Arts Council signed a building lease that expires in July 2024. The lease calls for rent of \$1,350 per month and provides a discount if the rent is prepaid. The Arts Council prepaid rent for the years ended September 30, 2019 and 2018. The following table is a schedule of future minimum lease payments under the lease reflecting the discount.

2020	\$ 15,714
2021	15,714
2022	15,714
2023	15,714
2024	<u>13,095</u>
Total	<u>\$ 75,951</u>

Lease expenses were \$13,532 and \$12,804 for the years ending September 30, 2019 and 2018, respectively.

Note 8 – Income Taxes

In the opinion of its management, the Arts Council has not taken any unreasonable tax position and, therefore, no liability has been recorded. The Arts Council has never undergone an audit by the Internal Revenue Service, and three years of tax returns are open to possible examination.

Note 9 – Concentrations

Investments held at Merrill Lynch consist of stocks, mutual funds, and cash amounting to \$583,548 and \$598,216 at September 30, 2019 and 2018, respectively. The investments are not guaranteed nor insured. Cash held in these accounts is insured by the FDIC or SIPC and is included with the investments since it is expected to be invested or available for long-term investment.

Approximately 52% and 43% of the Organization's support came from three sources for the years ended September 30, 2019 and 2018, respectively. The loss of a significant grantor may adversely impact the Organization in the near term.

Note 10 – Reclassifications

Certain reclassifications have been made in the financial statements for comparative purposes. No change to net assets or the change in net assets was needed as a result of the reclassifications.

ARTS COUNCIL OF GREATER LANSING, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING SEPTEMBER 30, 2019 AND 2018

Note 11 – Net Assets with Donor Restrictions

Net assets of \$31,000 were restricted for the Cultural Economic Development Plan at September 30, 2017. All such restrictions were satisfied during the year ending September 30, 2018.

Note 12 – Related Party Transactions

The Arts Council engaged a firm owned by a Board member to assist with event planning and management for the Creative Placemaking Summit during the year ended September 30, 2019, which amounted to \$7,500. The payment due was reduced by \$3,500 in consideration for the firm's sponsorship of the Holiday Glitter fundraiser, which are considered noncash transactions. Of the total fees, \$4,000 is included in accrued expenses at year end.