Great Lakes Center for the Arts

Financial Report

December 31, 2020

Contents

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Independent Auditor's Report

To the Board of Directors
Great Lakes Center for the Arts

We have audited the accompanying financial statements of Great Lakes Center for the Arts, which comprise the statement of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great Lakes Center for the Arts as of December 31, 2020 and 2019 and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, Great Lakes Center for the Arts has been impacted by the ongoing COVID-19 pandemic. Our opinion is not modified with respect to this matter.

Plante & Moran, PLLC

April 26, 2021

Statement of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 466,840	$ 511,978
Restricted cash and cash equivalents (Note 10)	96,463	77,139
Receivables:		
Trade accounts receivable	24,567	24,861
Contributions receivable - Net (Note 4)	1,703,514	2,584,421
Total receivables	1,728,081	2,609,282
Inventory	5,581	7,112
Prepaid expenses and other assets	59,008	28,793
Fixed assets - Net (Note 5)	35,886,306	36,880,533
Total assets	**$ 38,242,279**	**$ 40,114,837**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 77,683	$ 132,889
Notes payable (Note 6)	7,747,209	8,448,561
Deferred revenue	115,881	30,488
Accrued compensation and amounts withheld	20,988	19,060
Total liabilities	7,961,761	8,630,998
Net Assets		
Without donor restrictions	28,462,790	28,693,414
With donor restrictions (Note 7)	1,817,728	2,790,425
Total net assets	30,280,518	31,483,839
Total liabilities and net assets	**$ 38,242,279**	**$ 40,114,837**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Admissions and other performance income	$ 151,275	$ -	$ 151,275	$ 742,764	$ -	$ 742,764
Contributions	965,724	959,201	1,924,925	447,810	1,609,182	2,056,992
In-kind donations	65,356	-	65,356	76,530	-	76,530
Special event revenue	285,950	-	285,950	568,490	-	568,490
Rental income	29,120	-	29,120	86,044	-	86,044
Interest income	806	-	806	10,250	-	10,250
Net assets released from restrictions	1,931,898	(1,931,898)	-	2,778,111	(2,778,111)	-
Total revenue, gains, and other support	3,430,129	(972,697)	2,457,432	4,709,999	(1,168,929)	3,541,070
Expenses						
Program services	2,590,941	-	2,590,941	3,160,050	-	3,160,050
Support services:						
Management and general	517,987	-	517,987	430,675	-	430,675
Fundraising	551,825	-	551,825	756,940	-	756,940
Direct benefit to donor	-	-	-	154,471	-	154,471
Total support services	1,069,812	-	1,069,812	1,342,086	-	1,342,086
Total expenses	3,660,753	-	3,660,753	4,502,136	-	4,502,136
(Decrease) Increase in Net Assets	(230,624)	(972,697)	(1,203,321)	207,863	(1,168,929)	(961,066)
Net Assets - Beginning of year	28,693,414	2,790,425	31,483,839	28,485,551	3,959,354	32,444,905
Net Assets - End of year	**$ 28,462,790**	**$ 1,817,728**	**$ 30,280,518**	**$ 28,693,414**	**$ 2,790,425**	**$ 31,483,839**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Decrease in net assets	$ (1,203,321)	$ (961,066)
Adjustments to reconcile decrease in net assets to net cash, cash equivalents, and restricted cash from operating activities:		
Depreciation	1,007,586	1,003,894
Change in unamortized discount	(84,626)	(89,627)
Bad debt (recovery) expense	(5,114)	87,864
Contributions restricted to long-term purpose	(1,926,734)	(2,146,619)
Changes in operating assets and liabilities that provided (used) cash, cash equivalents, and restricted cash:		
Receivables other than restricted for long-term purpose	94,546	169,872
Inventory	1,531	(597)
Prepaid expenses and other assets	(30,215)	(15,293)
Accounts payable	(55,206)	(806,885)
Deferred revenue	85,393	-
Accrued compensation and amounts withheld	1,928	(4,963)
Net cash, cash equivalents, and restricted cash used in operating activities	(2,114,232)	(2,763,420)
Cash Flows from Investing Activities		
Purchase of property and equipment	(13,359)	(85,113)
Proceeds from sales and maturities of investments	-	16,424
Net cash, cash equivalents, and restricted cash used in investing activities	(13,359)	(68,689)
Cash Flows from Financing Activities		
Proceeds from debt	178,600	-
Payments on debt	(879,952)	(290,688)
Proceeds from contributions restricted for long-term purposes	2,803,129	3,275,519
Net cash, cash equivalents, and restricted cash provided by financing activities	2,101,777	2,984,831
Net (Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(25,814)	152,722
Cash, Cash Equivalents, and Restricted Cash - Beginning of year	589,117	436,395
Cash, Cash Equivalents, and Restricted Cash - End of year	**$ 563,303**	**$ 589,117**
Statement of Financial Position Classification of Cash, Cash Equivalents, and Restricted Cash		
Cash and cash equivalents	$ 466,840	$ 511,978
Restricted cash and cash equivalents	96,463	77,139
Total cash, cash equivalents, and restricted cash	**$ 563,303**	**$ 589,117**
Supplemental Cash Flow Information - Cash paid for interest	$ 272,617	$ 385,642

See notes to financial statements.

Note 1 - Nature of Business

Great Lakes Center for the Arts (the "Organization") is a not-for-profit organization incorporated in the State of Michigan. The Organization completed construction of its facility in 2018 and began programming in July 2018. The Organization serves the entire northern Michigan region through the cultural arts, intellectual dialogue, and education programs with an annual lineup of world-class performances and visiting artists. Programming includes popular, classical, jazz, and country music performances; theatrical productions; music festivals; opera; films; dance; and lectures, along with an arts education program that serves regional students in partnership with local schools and educators.

Note 2 - Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash Equivalents and Concentration of Credit Risk Arising from Deposit Accounts

The Organization considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The Organization maintains cash balances at one bank. The total amount of bank deposits (checking and savings accounts) that was insured by the Federal Deposit Insurance Corporation (FDIC) at year end was $250,000. The Organization evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Investments

Equity securities purchased and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are reported at fair value with unrealized gains and losses included in earnings.

Endowed funds use an investment pool approach, under which each restricted purpose endowment has a specific unit interest based on its capital contributions to the pool. Income earned in the pool is allocated quarterly to funds without donor restrictions for general operations and to the individual endowments in proportion to the unit interests as of the end of the quarter. Gains and losses from the sale of pooled investments and unrealized gains and losses on investments held are allocated in the same manner.

Fixed Assets

Fixed assets consist of land, land improvements, buildings, machinery and equipment, furniture and fixtures, and construction in progress, all of which are recorded at cost at the date of purchase or fair value at the date of donation. Construction in progress reflects amounts expended to date on the construction of facilities that have not been placed in service at year end. For assets placed in service, the straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Contributions

The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports the expiration of donor restrictions when the assets are placed in service.

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value.

Note 2 - Significant Accounting Policies (Continued)

Contributions without donor-imposed restrictions are reported as contributions without donor restrictions.

Contributions with all other donor-imposed time or purpose restrictions are recorded as contributions with donor restrictions regardless of whether the purpose is met in the same period as the gift, except for annual fund pledges received and paid within the same year, as these contributions are classified as contributions without donor restrictions. All other contributions with donor-imposed time or purpose restrictions that are met in the same period are released from donor restrictions as of period end.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Organization.

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, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Revenue Recognition

The Organization's exchange revenue is derived primarily from box office ticket sales and venue rentals. For the years ended December 31, 2020 and 2019, total revenue recognized from box office ticket sales with customers was $104,760 and $670,960, respectively, and is represented within admission and other performance income on the statement of activities and changes in net assets. Revenue recognized from venue rentals is shown separately on the statement of activities and changes in net assets.

The Organization has an obligation to host musical performances, theatrical productions, and an array of festivals and lectures. Revenue is recognized at a point in time when the performance or venue rental occurs. Under typical payment terms, payment is due when tickets or ticket subscriptions are purchased at the point of sale. Deposits for venue rentals are due when the contract is executed, while the balance is due at the time of the rental event. There are no significant obligations for refunds or similar obligations. There are no unique economic factors that affect the nature, timing, and uncertainty of revenue and cash flows.

Transaction prices for ticket sales are specifically tied to the value of the ticket, and transaction prices for venue rentals are determined by the rental agreement, neither of which includes variable consideration. Cash for same-day performances or events is collected at the point of sale, resulting in the recognition of admissions and other performance income on the statement of activities and changes in net assets. In some situations, seasonal subscriptions are purchased in advance, with revenue recognized at a point in time when performances occur, which could result in the Organization recognizing contract liabilities represented as deferred revenue on the statement of financial position.

Note 2 - Significant Accounting Policies (Continued)

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Costs have been allocated between the various program and support services on several bases and estimates. Salary and benefits and professional and consulting fees are allocated based on time and effort. Occupancy costs are allocated based on usage per square foot. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Commitments

During 2016, the Organization entered into contracts valued at approximately $20,000,000 for construction and other services, which increased to approximately $21,000,000 as of December 31, 2019. During 2020, the Organization did not enter into any additional commitments. Approximately $30,000 remained of the approximately $21,210,000 of total commitments as of December 31, 2020 and 2019.

Change in Presentation

The 2019 statement of cash flows has been restated to reflect changes in presentation to align with 2020.

Upcoming Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Accounting Standards Codification 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is not expected to have a significant effect on the Organization’s financial statements as a result of the Organization's related party operating leases. Upon adoption, the Organization will recognize a lease liability and corresponding right-of-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 2 - Significant Accounting Policies (Continued)

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Organization's year ending December 31, 2021 and will be applied using the retrospective method.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 26, 2021, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2020	2019
Cash and cash equivalents	$ 466,840	$ 511,978
Trade accounts receivable	24,567	24,861
Contributions receivable	1,703,514	2,584,421
Financial assets - At year end	2,194,921	3,121,260
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	831,000	1,406,334
Not subject to appropriation or expenditure	145,750	145,750
Subject to appropriation and satisfaction	713	139
Financial assets available to meet cash needs for general expenditures within one year	$ 1,217,458	$ 1,569,037

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. 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.

In the event of an unanticipated liquidity need, the Organization has available borrowings up to approximately $2,575,000 and $2,404,000 as of December 31, 2020 and 2019, respectively, as further described in Note 6.

Note 4 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give generated from a capital campaign as well as unconditional promises to give generated from annual fund pledges. They are included as follows:

	2020	2019
Gross promises to give before unamortized discount	$ 1,810,343	$ 2,855,990
Less allowance for uncollectible contributions	(7,750)	(87,864)
Less allowance for net present value discount	(99,079)	(183,705)
Net contributions receivable	$ 1,703,514	$ 2,584,421
Amounts due in:		
Less than one year	$ 979,343	$ 1,449,656
One to five years	821,000	1,391,334
More than five years	10,000	15,000
Total	$ 1,810,343	$ 2,855,990

As of December 31, 2020 and 2019, gross promises to give totaling $927,000 and $2,000,000, respectively, were received from members of the board and are outstanding and included in contributions receivable in the statement of financial position.

The Organization has received conditional contributions of approximately $1,600,000. The contributions are conditioned upon the Organization raising matching funds to finalize its capital campaign. As of December 31, 2020, the expected level of funds has not been raised; therefore, revenue for these conditional contributions has not been recognized by the Organization.

Beginning in 2018 and for 20 years, the Organization has access to conditional contributions from estimated tax increment revenue authorized by law to be captured from levies imposed by the local taxing authority, not to exceed $1,631,042 plus interest of up to the average annual prime rate or 3.5 percent, whichever is less, on unreimbursed eligible activities. These contributions are conditioned upon the Organization incurring certain eligible expenses related to development of its property. The taxing authority has the sole discretion to determine the amount reimbursed, which is dependent upon sufficient tax revenue. As of December 31, 2020, $15,358 has been collected and recognized as contributions without donor restriction on the statement of activities and changes in net assets related to this conditional contribution.

Note 5 - Fixed Assets

Property and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Land	$ 13,010,000	$ 13,010,000	-
Land improvements	1,746,456	1,746,456	20
Buildings	19,216,590	19,216,590	40
Machinery and equipment	423,370	410,905	3-10
Furniture and fixtures	3,957,574	3,957,574	10
Construction in progress	47,556	50,198	20
Total cost	38,401,546	38,391,723	
Accumulated depreciation	2,515,240	1,511,190	
Net property and equipment	$ 35,886,306	$ 36,880,533	

Note 5 - Fixed Assets (Continued)

Depreciation expense for the years ended December 31, 2020 and 2019 was $1,007,586 and $1,003,894, respectively.

Note 6 - Notes Payable

Under a credit agreement with a bank, the Organization has available delayed-draw borrowings limited to formulas based on certain percentages of pledges receivable, underwriting support, and access to tax increment financing (TIF), not to exceed $14,000,000 in aggregate borrowings. The amount outstanding as of December 31, 2020 and 2019 was $7,608,707 and $8,508,707, net of $40,098 and $60,146 financing costs, respectively. Based on the formulas, the Organization is able to draw up to an additional approximately $2,575,000 and $2,404,000 at December 31, 2020 and 2019, respectively. The note becomes due on October 5, 2022 unless the bank elects to extend the maturity date to any date up to October 5, 2024 by written notice to the Organization. Interest is payable monthly at a rate of 2.50 percent above the London Interbank Offered Rate (LIBOR) (an effective rate of 2.64 and 4.26 percent at December 31, 2020 and 2019, respectively). The note is collateralized by pledges receivable, underwriter support, and access to TIF.

During the year ended December 31, 2020, the Organization received a Paycheck Protection Program (PPP) loan in the amount of $178,600. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Organization may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of two years, with interest accruing at a rate of 1 percent and monthly payments of principal and interest beginning no earlier than 10 months after the conclusion of the covered period or upon notification of any amount unforgiven. Based on the loan amount, irrespective of any potential forgiveness that may be granted in the future, monthly principal payments would be approximately $10,000 during the repayment period. Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. Subsequent to year end, in February 2021, the Organization received notification from the SBA of forgiveness of the entire loan balance.

Subsequent to year end, the Organization has applied and was approved for a Paycheck Protection Program Second Draw loan in the amount of $178,600.

Note 7 - Net Assets with Donor Restrictions

Donor-restricted net assets as of December 31 are available for the following purposes:

	2020	2019
Subject to expenditures for a specified purpose - Future programming and operations	$ 578,850	$ 865,750
Subject to the passage of time	1,092,415	1,778,786
Subject to appropriation and expenditures when a specified event occurs - Accumulated investment gains	713	139
Not subject to appropriation or expenditure - Donor-restricted contributions to the endowment	145,750	145,750
Total	$ 1,817,728	$ 2,790,425

Note 8 - Leases

Operating Leases

The Organization leases space under noncancelable operating leases with a related party through April 30, 2021. Total costs for such leases were $39,597 and $26,769 for the years ended December 31, 2020 and 2019, respectively. Minimum future payments under this lease total $13,781.

Note 9 - Functional Expenses

Expenses related to the Organization's operations are as follows as of December 31:

	2020	2019
Program expenses:		
Performance costs	$ 243,886	$ 602,582
Salaries and benefits	628,573	559,448
Box office	4,250	34,139
Education programming	27,619	39,908
Concession fees	-	30,010
Professional and consulting fees	103,836	105,801
Occupancy	295,844	344,369
Depreciation and amortization	1,027,635	1,026,585
Interest expense	259,298	417,208
Total program expenses	2,590,941	3,160,050
Management and general:		
Salaries and benefits	259,558	189,949
Marketing and development	128,041	120,303
Professional and consulting fees	37,144	35,473
Occupancy	93,244	84,950
Total management and general	517,987	430,675
Fundraising:		
Salaries and benefits	360,588	374,663
Marketing and development	78,052	78,293
Special events	71,234	171,521
Occupancy	41,951	132,463
Total fundraising	551,825	756,940
Direct benefit to donors - Special events	-	154,471
Total expenses	$ 3,660,753	$ 4,502,136

Note 10 - Donor-restricted Endowment

The Organization's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 10 - Donor-restricted Endowment (Continued)

Interpretation of Relevant Law

The Organization is subject to the Michigan Uniform Prudent Management of Institutional Funds Act (MI-UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Organization had interpreted MI-UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted MI-UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with MI-UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

	Endowment Net Asset Composition by Type of Fund as of December 31, 2020
	With Donor Restrictions
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ 95,750
Accumulated investment gains	713
Total	$ 96,463

Note 10 - Donor-restricted Endowment (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020
	With Donor Restrictions
Endowment net assets - Beginning of year	$ 77,139
Investment return - Net appreciation	574
Donor-restricted contributions - Cash collected on endowment pledge receivables	18,750
Endowment net assets - End of year	$ 96,463

The above amounts exclude $50,000 of pledges receivable as of December 31, 2020.

	Endowment Net Asset Composition by Type of Fund as of December 31, 2019
	With Donor Restrictions
Donor-restricted endowment funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ 77,000
Accumulated investment gains	139
Total	$ 77,139

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019
	With Donor Restrictions
Endowment net assets - Beginning of year	$ 64,541
Investment return - Investment income - Net appreciation	98
Donor-restricted contributions - Cash collected on endowment pledge receivables	12,500
Endowment net assets - End of year	$ 77,139

The above amounts exclude $68,750 of pledges receivable as of December 31, 2019.

Underwater Endowment Funds

As of December 31, 2020 and 2019, there were no funds with deficiencies.

Note 10 - Donor-restricted Endowment (Continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets will be invested in equities and fixed-income securities in a manner that is intended to achieve a return equal to or greater than spending. As of December 31, 2020, cash collected on endowment pledge is reported as restricted cash on the statement of financial position. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark defined in its investment policy statement. Actual returns in any given year may vary from this amount.

Strategies to Be Employed for Achieving Objectives

Currently, endowment funds are held as restricted cash on the statement of financial position. To satisfy its long-term rate-of-return objectives, the Organization has a plan to rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity and fixed-income-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

No appropriations shall be made from the endowment unless and until its total market value exceeds $1,000,000, as measured at the end of a calendar quarter. Once this threshold has been met, the Organization has a policy of appropriating for distribution each year up to 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Note 11 - COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. On March 16, 2020, the governor of Michigan issued an executive order temporarily closing certain businesses. As a result of this order, the Organization was required to reschedule or cancel events occurring between March 16, 2020 and June 30, 2020. The Organization resumed operations in July 2020 and has continued at the varying capacity levels permitted by the State of Michigan. Employees who are low-hour, part-time, or seasonal personnel and those whose hours are driven by events were minimally employed during this period due to the reduced event activity levels. The Organization received a loan as part of the Paycheck Protection Program issued by the Small Business Administration, as further described in Note 6. The Organization has also applied for claimed costs related to payroll support through the Employee Retention Tax Credit program, shown on the statement of activities and changes in net assets as part of contribution revenue restricted for time. Federal, state, and foundation support, along with increased individual donor support coupled with operational cost savings, substantially offset the earned income impacts from the lengthy duration of state-mandated capacity limitations.

Note 11 - COVID-19 (Continued)

In addition, as was made available under the Taxpayer Certainty and Disaster Relief Act of 2020, the Organization recorded a receivable and contribution revenue totaling $94,944 for the Employee Retention Tax Credit on the statement of financial position and statement of activities and changes in net assets upon management determining eligible criteria were met during 2020.

Due to significant uncertainty surrounding the situation, management's judgment regarding the impact of the pandemic may change in the future. The extent of the future impact cannot be reasonably estimated at this time.

Note 12 - Retirement Plans

The Organization sponsors a 401(k) plan for all employees over the age of 21 after completing three months of service. The plan allows employees to make elective deferrals as a percentage of eligible compensation and provides for the Organization to make a discretionary matching contribution. There were no contributions in 2020 and 2019.