

MICHIGAN PHILHARMONIC

AUDITED FINANCIAL STATEMENTS

Year ended June 30, 2022

MICHIGAN PHILHARMONIC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Michigan Philharmonic

Opinion

We have audited the accompanying financial statements of Michigan Philharmonic (a nonprofit "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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.

To the Board of Directors
Michigan Philharmonic
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Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are written in a cursive, slightly slanted style.

Farmington Hills, Michigan
October 26, 2023

MICHIGAN PHILHARMONIC
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

CURRENT ASSETS

Cash & cash equivalents	\$ 3,181
Board designated cash	26,367
Accounts receivable, net	1,250
Prepaid expenses	8,158
Investments	<u>318,752</u>
Total current assets	<u><u>\$ 357,708</u></u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 8,411
Payroll taxes and other accrued expenses	1,025
Deferred revenue	<u>22,600</u>
Total current liabilities	<u>32,036</u>

NET ASSETS

Without donor restrictions	
Undesignated	(34,447)
Board designated	345,119
With donor restrictions	<u>15,000</u>
Total net assets	<u>325,672</u>
Total liabilities and net assets	<u><u>\$ 357,708</u></u>

MICHIGAN PHILHARMONIC
STATEMENT OF ACTIVITIES
Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Admissions	\$ 73,441	\$ -	\$ 73,441
Annual giving	543,528	15,000	558,528
Contract service	61,300	-	61,300
Fundraising	5,436	-	5,436
Grants	20,470	-	20,470
Program advertising	15,680	-	15,680
Education and tuition for kids	24,020	-	24,020
Contribution of nonfinancial services	9,000	-	9,000
Investment return - net	(40,936)	-	(40,936)
Other income	10	-	10
	<u>711,949</u>	<u>15,000</u>	<u>726,949</u>
Total revenues and other support			
Net assets released from restrictions	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
	<u>726,949</u>	<u>-</u>	<u>726,949</u>
FUNCTIONAL EXPENSES			
Orchestral performances	299,948	-	299,948
Educational programs	1,600	-	1,600
Fundraising	3,358	-	3,358
Management and general	140,361	-	140,361
	<u>445,267</u>	<u>-</u>	<u>445,267</u>
Total functional expenses			
CHANGE IN NET ASSETS	281,682	-	281,682
NET ASSETS - Beginning of year	<u>28,990</u>	<u>15,000</u>	<u>43,990</u>
NET ASSETS - End of year	<u>\$ 310,672</u>	<u>\$ 15,000</u>	<u>\$ 325,672</u>

MICHIGAN PHILHARMONIC
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2022

	<u>Orchestral Performances</u>	<u>Educational Programs</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Orchestra	\$ 95,487	\$ 1,600	\$ -	\$ -	\$ 97,087
Conductor	56,895	-	-	-	56,895
Contracted services	60,951	-	-	-	60,951
Youth orchestra	17,998	-	-	-	17,998
Administrative and executive	-	-	-	48,730	48,730
Professional fees	-	-	-	24,895	24,895
Bookkeeping	-	-	-	12,540	12,540
Rent	15,806	-	-	20,937	36,743
Insurance	-	-	-	5,676	5,676
License and fees	1,098	-	-	1,749	2,847
Music	5,779	-	-	-	5,779
Pension benefits	8,556	-	-	-	8,556
Performing artists	10,459	-	-	-	10,459
Printing	14,378	-	-	3,827	18,205
Production services	5,465	-	-	-	5,465
Taping services	4,700	-	-	-	4,700
Payroll taxes	-	-	-	3,333	3,333
Raffle	-	-	1,143	-	1,143
Supplies	2,376	-	1,500	1,949	5,825
Telephone	-	-	-	2,115	2,115
Advertising	-	-	-	3,651	3,651
Credit card fees	-	-	-	6,267	6,267
Dues and memberships	-	-	-	1,663	1,663
Postage	-	-	-	1,261	1,261
Travel	-	-	-	874	874
Property taxes	-	-	-	84	84
Miscellaneous	-	-	715	810	1,525
Total expenses	<u>\$ 299,948</u>	<u>\$ 1,600</u>	<u>\$ 3,358</u>	<u>\$ 140,361</u>	<u>\$ 445,267</u>

MICHIGAN PHILHARMONIC
STATEMENT OF CASH FLOWS
Year ended June 30, 2022

OPERATING ACTIVITIES

Change in net assets	\$ 281,682
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized loss on investments	43,355
Changes in assets and liabilities:	
Accounts receivable	3,750
Prepaid expenses	(5,228)
Accounts payable	(4,356)
Payroll taxes and accrued expenses	(13)
Deferred revenue	<u>6,000</u>
Net cash provided by operating activities	<u>325,190</u>

INVESTING ACTIVITIES

Purchase of investments	<u>(362,107)</u>
Net cash used in investing activities	<u>(362,107)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (36,917)

CASH AND CASH EQUIVALENTS, beginning of year 66,465

CASH AND CASH EQUIVALENTS, end of year \$ 29,548

SUPPLEMENTAL CASH FLOW INFORMATION

Cash	\$ 3,181
Board designated cash	<u>26,367</u>
Total	<u><u>\$ 29,548</u></u>

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these financial statements. These policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization and Nature of Activities

The mission of the Michigan Philharmonic (the “Organization”) is to enrich Plymouth/Canton and the surrounding communities with high quality music appealing to a broad-based audience through diverse programming and creative marketing. The Michigan Philharmonic provides a community orchestra to serve as a performance outlet for talented musicians from Southeastern Michigan and actively supports quality music opportunities, experiences and education to students in area schools. The Organization’s support comes primarily from contributions by individual donors and corporations as well as private and public grants.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Organization follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification (ASC)*.

Classification of Net Assets

The financial statements of the Organization have been prepared in accordance with U.S. Generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions: Net assets that are 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’s management and the 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.

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivables are stated net of an allowance for doubtful accounts. Management believes all receivables are collectible. There was no allowance for doubtful accounts at June 30, 2022.

Investments

The Organization records its investments in marketable equity securities in accordance with ASC topic Not-for-Profit entities Investments. Accordingly, investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair market value. Any related gains or losses are reported in the Statement of Activities. Investment return is presented net of investment fees.

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

Concentrations

In the year ended June 30, 2022, the Organization received 56% of its contribution revenue from one donor.

Revenue Recognition

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as contributions with donor restrictions and increase the net assets with donor restrictions.

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Contracts, Grant Funds, Grant Receivable

Funds received from reimbursable contracts and grants are recorded as revenue when the organization incurs the eligible costs allowed under the contract or grant. A receivable is recognized for any eligible costs that have been incurred.

Contributed Non-Financial Services and Assets

Businesses, individuals, and others contribute materials and services toward the fulfillment of the programs, fundraising campaigns and general managerial administration. To the extent that contributions of materials and services are objectively measurable and represent program or support expenditures that would otherwise be incurred by the Organization, they are reflected in both support service and program service expenses in the Statement of Activities. Donated material and services are recorded at the fair market value upon receipt. For a contributed asset that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

For the years ended June 30, 2022, contributed non-financial services were recognized by the Organization in the amount of \$9,000 for professional services.

Deferred Revenue

Deferred revenue consists primarily of advance payments received on performances conducted according to the contract. In accordance with Topic 606, advance payments received on performance are not recognized until the performance is conducted, at which time the revenue is recognized in the Statement of Activities.

Revenue recognition for contracts with customers

The Organization's revenue streams under contracts with customers is comprised of contract services, admissions, program advertising, tuition and raffle sales revenue received in conjunction with events and fundraising from various businesses and foundations in Michigan. The Organization performs an analysis to determine the performance obligations associated with the exchange transactions, and revenue recognized when the given performance obligation is satisfied. The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods. The transaction price is calculated as the amount of consideration to which the Organization expects to be entitled (such as the price of admission and price of raffle tickets for events). The following explains the performance obligations related to each revenue stream and how they are recognized.

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Revenue recognition for contracts with customers (Continued)

Contract Services - The Organization recognizes contract service income when the performance is conducted according to the contract.

Admissions - The Organization recognizes admission income when it satisfies its performance obligation by transferring control or service to its patrons. Admissions performance revenues are recognized at a point in time when a performance is conducted.

Program advertising – The Organization recognizes program advertising income when advertising is posted in its annual brochure.

Tuition – The Organization recognizes tuition income when the lesson takes place.

Special events – The Organization recognizes special event revenue at the time that the event occurs.

The timing of revenue recognition of contract services, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and deferred revenue and deposits (contract liabilities) on the statement of financial position.

The beginning and ending contract balances were as follows.

Accounts receivable, beginning balance	\$	-
Accounts receivable, ending balance	\$	500
Deferred revenue, beginning balance	\$	16,600
Deferred revenue, ending balance	\$	22,600

Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, “*Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*”. 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. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021. The Organization adopted the ASU 2020-07 effective July 1, 2021.

As a result of the adoption of ASU 2020-07, the Organization reports \$9,000 as in-kind donation and professional services expense in the Statement of Activities, and no effect on net assets.

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Income Taxes

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

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At June 30, 2022 there were no uncertain tax positions that required accrual.

Functional Expenses

The costs of providing program and support services have been reported on a functional basis in the statements of activities. Indirect costs have been allocated between the various programs and support services based on estimates determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Advertising Expense

The Organization uses advertising to promote its concerts and programs. The production costs of advertising are expensed as incurred. Advertising expense amounted \$3,651 for the year ended June 30, 2022.

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows at June 30, 2022:

Cash	\$ 3,181
Board designated cash	26,367
Investments	318,752
Accounts receivable, net	<u>1,250</u>
Total financial assets	349,550
Amount not available for general use:	
Endowment funds	<u>345,119</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 4,431</u></u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – INVESTMENTS

Investments are comprised of the following:

Equity funds	\$ 183,850
Fixed income	<u>134,902</u>
	<u><u>\$ 318,752</u></u>

Net investment return consists of the following:

Investment income	\$ 2,419
Unrealized losses	<u>(43,355)</u>
Total	<u><u>\$ (40,936)</u></u>

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – FAIR VALUE MEASUREMENTS

ASC topic *Fair Value Measurements*, establishes a framework for measuring fair value. That framework 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 under ASC topic *Fair Value Measurements* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means;

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

The following is a description of the valuation methodologies used for assets measured at fair value.

Equity funds and fixed income funds: Valued at the net asset value of shares held by the Organization at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Equity funds	\$ 183,850	\$ -	\$ -	\$ 183,850
Fixed Income	134,902	-	-	134,902
Total	<u>\$ 318,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,752</u>

NOTE 5 – LINE OF CREDIT

The Organization has a revolving note agreement with a financial institution with a limit of \$10,000 at a variable interest rate. There was no outstanding balance on the line of credit at the years ended June 30, 2022. The line of credit is personally guaranteed by a member of the board.

NOTE 6 – BOARD-DESIGNATED ENDOWMENTS

The Organization established an endowment fund for the purpose of supporting the Organization’s mission by accumulating an asset pool sufficient to provide capital for future use with supplementing the Organization’s current needs as a corresponding obligation.

The primary investment objective for these funds is to preserve existing capital while creating current earnings for operational support.

Spending from the investment funds is determined by a total return system, recognizing that the funds under the guidelines of this policy are to be managed as an endowment. The amount to be available for spending in the upcoming fiscal year is calculated each March, one year after the investment had begun, by the fiscal committee and approved by the Board of Directors. The spending budget is an amount up to 5% of the fair market value (computed with a 12-quarter rolling average) of the total investment fund. The distribution may be taken from ordinary income (dividends and interest) or original appreciation, both earned and unearned. The principal is to remain intact, although the Board may, by a ¾ majority vote, exceed the spending limit established above for extraordinary expenditures such as capital improvements or major program development.

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 – BOARD-DESIGNATED ENDOWMENTS (Continued)

Changes in the endowment for the year ended June 30, 2022 are as follows:

Board-designated endowment net assets, beginning	\$ -
Contributions	405,055
Net investment return gain (losses)	(40,936)
Distributions	<u>(19,000)</u>
Board-designated endowment net assets, ending	<u>\$ 345,119</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets of the Organization consist of contributions that are restricted as to use or time as specified by the donor. The restrictions expire when the purpose of the restriction has been accomplished.

Net assets with purpose time restrictions were comprised of the following:

2022 - 2023 Season	\$ 15,000
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NOTE 8 – CANTON COMMUNITY FOUNDATION ENDOWMENT

The Organization was established with the Plymouth Symphony Orchestra Agency Youth Music Initiatives Fund (the “Fund”) with the Canton Community Foundation (the “Foundation”). The Fund is a component fund and an asset of the Foundation. Approximately 5% of the Fund is to be distributed annually calculated on a rolling average in accordance with the Foundation’s spending policy. The distribution is to be used for the general purposes of the Michigan Philharmonic or Youth Music Initiatives.

Under Accounting Standards Codifications topic, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, the Organization has granted variance power to the governing board of the Foundation; therefore, these assets are not recorded as assets of the Organization. The fair market value of the funds at June 30, 2022 was \$32,450.

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – RETIREMENT PLAN

The Organization participates in multi-employer defined benefit pension plans administered by the union that covers substantially all union musicians used by the Organization. The Organization’s responsibility to fund the pension obligation is limited to its contribution. Any excess contribution is the responsibility of the union. Total pension expense was \$8,556. The Organization did not contribute more than 5% of total contributions to the Plan.

The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects: A) assets contributed to the multiemployer plan by one employer may be used to provide benefits to the employees of other participating employers; B) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

The Organization’s participation in these plans is outlined in the table below. The plan status is based on information that the Organization received from the plan and is certified by the plan’s actuary. Under federal pension law, a plan generally is in “endangered” status if its funded percentage is less than 80 percent. A plan is in “critical” status if the funded percentage is less than 65 percent (other factors may also apply). A plan is in “critical and declining” status if it is in critical status and is projected to become insolvent (run out money to pay benefits) within 15 years (or within 20 years if a special rule applies).

If a pension plan enters endangered status, the trustees of the plan are required to adopt a funding improvement plan. Similarly, if a pension plan enters critical status, the trustees of the plan are required to adopt a rehabilitation plan. Rehabilitation and funding improvement plans establish steps and benchmarks for pension plans to improve their funding status over a specified period of time.

The “FIP/RP” indicates the plan for which a funding improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

<u>Pension Fund</u>	<u>EIN/ Pension Number</u>	<u>Plan Year End</u>	<u>Funding Status</u>	<u>FIP/RP</u>	<u>Surcharge Imposed</u>	<u>Expiration Date of Collective - Bargaining Agreement</u>
American Federation of Musicians and Employer’s Pension Plan	51-6120204 / #001	3/31/2022	Critical and Declining	RP	Yes	August 31, 2023

The collective-bargaining agreement related to the American Federation of Musicians and Employer’s Pension Plan (Plan 001) (the “Plan”). The Plan requires contributions the Organization makes in the amount of 11% of the musician’s wages, including all overtimes and premiums.

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 – RETIREMENT PLAN (Continued)

The Plan is in “critical and declining” status as defined by the Pension Protection Act of 2006 and is currently projected to run out of money in the Plan year ended March 31, 2039. The Plan has reached this state due to a combination of daunting challenges, in particular, the Plan’s investment losses during the 2008-2009 financial crisis and rising benefit payments that increasingly exceed annual contributions. On April 15, 2020, the rehabilitation plan was adopted by the Board of Trustees of the American Federation of Musicians and Employer’s Pension Fund (the “Fund”).

The Trustees have taken legally permitted actions to prevent insolvency: reducing benefits in the Rehabilitation Plan adopted in 2010, changing investment advisors and managers, modifying investment asset allocation, increasing contributions in the Rehabilitation Plan adopted in 2010 and in the 2018 update, reducing administrative expenses and advocating for a legislative solution. As noted above, the Trustees intend to apply for financial assistance under the America Rescue plan Act when permitted to do so. Further, if the Plan becomes insolvent, there is heightened risk of liability to employer, including the potential of mass withdrawal liability.

NOTE 10 – OPERATING LEASES

The Organization entered into a one-year lease contract with a related entity for office space beginning in August 1, 2021. The contract has been extended each year with the current extension ending July 31, 2024. Monthly rent payments were \$1,677 for July 2021 and \$1,777 for the months of August 2021 through July 2022. Total rent expense for the year ended June 30, 2022 was \$21,224.

The Organization has a 63-month lease contract for office equipment. The lease expires on June 30, 2023. Rent expense for office equipment for the year ended June 30, 2022 was \$2,302.

The Organization leases space on an as-needed basis.

Future minimum lease payments consist of the following:

Year ending June 30,	Amount
2023	\$ 24,209
2024	22,565
2025	1,885
	\$ 48,659

MICHIGAN PHILHARMONIC
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 – RELATED PARTY TRANSACTIONS

The Organization received its support from various members of the Board. Contribution revenue from members of the Board was \$51,816 for the year ended June 30, 2022.

A board member is the President of Plymouth PARC, Inc., which the Organization has a lease agreement with. The Organization paid Plymouth PARC, Inc. \$21,224 for the office lease for the year ended June 30, 2022.

A board member is the owner of GEM Asset Management LLC, which manages the Organization's investments. No payments were made to GEM Asset Management LLC by the Organization for the year ended June 30, 2022.

NOTE 12 – SUBSEQUENT EVENTS

The Organization has performed a review of events subsequent to the Statements of Financial Position through October 26, 2023, the date the financials were available to be issued.