



***MIDWEST YOUNG ARTISTS***

***AUDITED FINANCIAL STATEMENTS***

***MAY 31, 2023***

MIDWEST YOUNG ARTISTS  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Midwest Young Artists  
Highwood, Illinois

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of

Midwest Young Artists  
(a nonprofit organization)

which comprise the statement of financial position as of May 31, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of Midwest Young Artists as of May 31, 2023, 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 State of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Midwest Young Artists and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As described in the notes to the financial statements, the Organization adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

## ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 Midwest Young Artists' ability to continue as a going concern for one year after the date that the financial statements are issued.

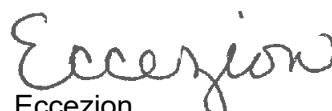
## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

  
Eccezion  
Consulting • CPAs • Technology

McHenry, Illinois  
August 31, 2023

MIDWEST YOUNG ARTISTS  
STATEMENT OF FINANCIAL POSITION  
MAY 31, 2023

ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 225,090	
Accounts Receivable	310,791	
Contributions Receivable	6,309	
Total Current Assets	<u>542,190</u>	542,190
Investments		2,677,565
Property and Equipment, Net		6,919,771
Right-Of-Use Assets		
Operating Right-Of-Use Asset	\$ 45,737	
Less: Accumulated Amortization	<u>(9,463)</u>	
Net Right-Of-Use Assets		36,274
TOTAL ASSETS		<u>\$ 10,175,800</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 9,517	
Deferred Revenue	39,409	
Accrued Expenses	33,183	
Right-Of-Use Liability - Current Portion	<u>11,752</u>	
Total Current Liabilities		93,861
Other Liabilities		
Long-Term Right-Of-Use Liability, Net of Current Portion		<u>22,462</u>
TOTAL LIABILITIES		<u>\$ 116,323</u>
NET ASSETS		
Without Donor Restrictions	\$ 8,468,997	
Board Designated	<u>756,555</u>	
		\$ 9,225,552
With Donor Restrictions		<u>833,925</u>
TOTAL NET ASSETS		<u>10,059,477</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 10,175,800</u>

The Notes to Financial Statements are an integral part of this statement.

MIDWEST YOUNG ARTISTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES, GAINS, AND OTHER SUPPORT</b>			
Support			
Contributions	\$ 453,450	\$ -	\$ 453,450
Special Events	187,295	-	187,295
Program Revenue	691,247	-	691,247
Return on Investments, Net	20,195	4,377	24,572
Miscellaneous Revenue	18,580	-	18,580
Net Assets Released from Restrictions	34,043	(34,043)	-
Total Operating Revenues, Gains, and Other Support	<u>\$ 1,404,810</u>	<u>\$ (29,666)</u>	<u>\$ 1,375,144</u>
<b>OPERATING EXPENSES</b>			
Program Services	\$ 781,207	\$ -	\$ 781,207
Supporting Services			
Management and General	309,423	-	309,423
Fundraising Expenses	224,924	-	224,924
Direct Benefit to Donors	31,751	-	31,751
Total Operating Expenses	<u>\$ 1,347,305</u>	<u>\$ -</u>	<u>\$ 1,347,305</u>
CHANGE IN NET ASSETS	\$ 57,505	\$ (29,666)	\$ 27,839
NET ASSETS AT BEGINNING OF YEAR	8,870,763	863,591	9,734,354
FUND BALANCE ADJUSTMENT (NOTE 13)	<u>297,284</u>	<u>-</u>	<u>297,284</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 9,225,552</u></u>	<u><u>\$ 833,925</u></u>	<u><u>\$ 10,059,477</u></u>

The Notes to Financial Statements are an integral part of this statement.

MIDWEST YOUNG ARTISTS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MAY 31, 2023

	Supporting Services				Total Supporting Services	Total
	Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors		
Administrative Expenses	\$ 129	\$ 648	\$ 123	\$ -	\$ 771	\$ 900
Advertising and Promotion	23,316	-	12,555	-	12,555	35,871
Amortization	-	9,463	-	-	9,463	9,463
Awards	5,954	5,954	2,977	-	8,931	14,885
Bad Debt Expense	32,978	-	-	-	-	32,978
Competition/Concert	79,648	9,146	5,785	-	14,931	94,579
Decorations and Supplies	-	-	2,894	-	2,894	2,894
Depreciation	22,452	2,220	-	-	2,220	24,672
Development Expense	-	-	297	-	297	297
Food/Entertainment	2,402	2,402	2,402	13,260	18,064	20,466
Grants	77,713	-	-	-	-	77,713
Instruction Expense	8,663	4,193	2,517	-	6,710	15,373
Insurance	21,234	21,234	21,234	-	42,468	63,702
Interest	-	1,160	-	-	1,160	1,160
Payroll Expense	410,814	117,917	142,532	-	260,449	671,263
Miscellaneous	233	233	231	-	464	697
Occupancy	38,234	38,234	8,497	18,491	65,222	103,456
Office Expense	20,039	18,910	9,596	-	28,506	48,545
Other Employee Benefits	-	16,713	-	-	16,713	16,713
Payroll Taxes	21,611	27,786	12,349	-	40,135	61,746
Pension Plan	3,357	1,291	517	-	1,808	5,165
Professional Fees	10,349	31,047	-	-	31,047	41,396
Reimbursements	116	116	116	-	232	348
Travel	1,965	756	302	-	1,058	3,023
	<u>\$ 781,207</u>	<u>\$ 309,423</u>	<u>\$ 224,924</u>	<u>\$ 31,751</u>	<u>\$ 566,098</u>	<u>\$ 1,347,305</u>

The Notes to Financial Statements are an integral part of this statement.

MIDWEST YOUNG ARTISTS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MAY 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 27,839
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities	
Depreciation	24,672
Amortization	9,463
Unrealized (Gains)/Losses	85,860
Decrease/(Increase) in Assets:	
Accounts Receivable	(292,463)
Contributions Receivable	8,927
Right-Of-Use Assets	(45,737)
Increase/(Decrease) in Liabilities:	
Accounts Payable	5,006
Deferred Revenue	7,854
Right-Of-Use Liabilities	34,214
Accrued Expenses	24,599
Net Cash Flows Provided/(Used) by Operating Activities	<u>\$ (109,766)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	\$ 150,000
Purchase of Investments	<u>(1,054,798)</u>
Net Cash Flows Provided/(Used) by Investing Activities	<u>\$ (904,798)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (1,014,564)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,239,654</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 225,090</u></u>
Interest paid during the year May 31, 2023	1,160

The Notes to Financial Statements are an integral part of this statement.



MIDWEST YOUNG ARTISTS  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2023

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities*

Midwest Young Artists (Organization), is an Illinois not-for-profit corporation formed in 1972. The Organization's purpose is to develop and encourage musical education, performance abilities and achievement of students in performing orchestral music, choral music, jazz music, chamber ensemble music, and the appreciation of music theory.

The Organization is supported primarily from program service fees and general contributions.

*Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

*Financial Statement Presentation*

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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 Board of Directors and its management ("Management"). Net assets without donor restrictions includes Board-designated net assets as described in the footnotes.

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.

*Cash and Cash Equivalents*

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*Investments*

Investments in marketable equity securities with readily determinable fair values are stated at fair value. Equity securities without readily determinable fair values are stated at cost.

*Property and Equipment*

The Organization capitalizes all expenditures for Property and Equipment. Purchased Property and Equipment is carried at cost. Donated Property and Equipment is carried at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

## NOTES TO FINANCIAL STATEMENTS (Continued)

	<u>Years</u>
Building	39
Musical Instruments and Equipment	7
Office Equipment and Computers	7
Furnishings	7

### *Revenue and Revenue Recognition*

The Organization recognizes revenue from ticket sales at the time of admission. The Organization recognizes revenue from student tuition and fees during the year in which the related services are provided to the students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized over the course of the academic year. All amounts received prior to the commencement of the academic year are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted tuition at the time revenue is recognized. The Organization records special events revenue equal to the fair value of direct benefit to donors and contributions income for the excess received when the event takes place.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Contributions Receivable are due in less than one year and Management represents that such amounts are 100% collectible; therefore, no allowance is provided in the financial statements.

### *In-kind Contributions*

In-kind contributions of property and equipment are recorded as contributions at the estimated fair value of the property contributed at the date of donation.

In-kind contributions of services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills and would otherwise need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out their mission. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out their mission. However, these services do not meet the criteria for recognition as contributed services.

### *Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. All direct expenses have been allocated to the respective function. Payroll expenses are allocated based on their function and time spent in each area. Occupancy-related costs are allocated based on the square footage used by the business office.

### *Leases*

Under the guidance of Topic 842, the Organization determines if an arrangement contains a lease at inception based on whether or not the Organization has the right to control the asset during the contract period and other facts and circumstances.

## NOTES TO FINANCIAL STATEMENTS (Continued)

The Organization is the lessee in a lease contract when it obtains the right to control the asset. The right-of use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent The Organization's obligation to make lease payments arising from these leases. The ROU assets resulting from operating leases and the related liabilities are separately stated on the face of the Statement of Net Position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term at the commencement date. ROU assets also can include adjustments related to lease payments made and/or lease incentives received at or before the commencement date. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Operating lease expense is recognized on a straight-line basis over the lease term.

Finance leases are those in which transfer ownership, or an arrangement which results in either the present value of lease payments being greater than 90% of the fair market value of the asset or lease term being greater than 75% of the estimated useful life of the asset. Finance lease ROU assets and the related liabilities are separately stated on the face of the Statement of Net Position. The ROU asset is amortized over either the useful life of the asset or lease term, depending on the facts and circumstances of the lease. The Organization does not currently have any material finance type leases that fall under this policy.

### *Estimates*

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses. Management evaluates, on an ongoing basis, the estimates and assumptions based on new information. Management represents that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

### *Income Tax Status*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and reported no unrelated business income for the year ended May 31, 2023. Management represents there are no uncertain tax position or other provision for income taxes that should be recognized in these financial statements. In addition, the Organization qualifies to receive deductible charitable contributions pursuant to Section 170(b)(1)(A)(vi).

## **NOTE 2 - CASH AND CASH EQUIVALENTS**

The Organization maintains five bank accounts at two financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at May 31, 2023 exceeded federally insured limits by \$598,050. The Organization has not experienced any losses in such accounts. Management represents it is not exposed to any significant credit risk on its cash balances.

## **NOTE 3 - FAIR VALUE MEASUREMENTS**

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

NOTES TO FINANCIAL STATEMENTS (Continued)

- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

Investments are carried at fair value as described in Note 4, based on quoted prices in active markets for identical assets.

Fair values approximate carrying value for all assets and current liabilities, measured on a recurring basis, at May 31, 2023. All are considered Level 1 observable inputs; the carrying amount approximates fair value because of the short maturities thereof.

	Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Fixed Income and Preferred Securities	\$ 68,390	\$ 68,390	\$ -
Certificate of Deposits	1,796,736	-	1,796,736
Equity Securities	812,439	812,439	-
Total Investments	<u>\$ 2,677,565</u>	<u>\$ 880,829</u>	<u>\$ 1,796,736</u>

**NOTE 4 - INVESTMENTS**

Investments held by the Organization are stated at fair market value and consist of the following at May 31, 2023:

	Fair Market		
	Cost	Value	Unrealized
Fixed Income and Preferred Securities	\$ 72,510	\$ 68,390	\$ 4,120
Equity Securities	478,943	812,439	(333,496)
Certificate of Deposit	1,793,537	1,796,736	(3,199)
Total	<u>\$ 2,344,990</u>	<u>\$ 2,677,565</u>	<u>\$ (332,575)</u>

Investment return for the year ended May 31, 2023 consists of the following:

Interest Income	\$ 54,596
Realized Gain/(Loss)	55,836
Unrealized Gain/(Loss)	(85,860)
Return on Investments	<u>\$ 24,572</u>

**NOTE 5 - AVAILABILITY AND LIQUIDITY**

The following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be readily made available within one year of the Statement of Financial Position date to meet general expenditures.

## NOTES TO FINANCIAL STATEMENTS (Continued)

The Organization's financial assets at May 31, 2023 are as follows:

Financial assets at year end:	
Cash and Cash Equivalents	\$ 225,090
Investments	2,677,565
Accounts Receivable	310,791
Contributions Receivable	6,309
Total Financial Assets	<u>\$ 3,219,755</u>
Less amounts not available to be used within one year:	
Net Assets with Donor Restrictions	\$ 833,925
Board Designated	756,555
Total Unavailable	<u>\$ 1,590,480</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,629,275</u>

The Organization's goal is generally to maintain liquid financial assets to meet 90 days of operating expenses. As part of the liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

### NOTE 6 - CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable of \$6,309 are estimated to be collected within one year.

### NOTE 7 - PROPERTY AND EQUIPMENT

Property and Equipment owned by the Organization at May 31, 2023 consist of the following:

	Cost	Accumulated Depreciation	Book Value
Land	\$ 2,751,975	\$ -	\$ 2,751,975
Building	3,829,565	566,527	3,263,038
Musical Instruments and Equipment	521,311	47,468	473,843
Office Equipment and Computers	92,155	92,155	-
Furnishings	88,419	75,778	12,641
Project in Progress	418,274	-	418,274
Total	<u>\$ 7,701,699</u>	<u>\$ 781,928</u>	<u>\$ 6,919,771</u>

On September 6, 2013, the Organization acquired four acres of unimproved land at a purchase price of \$1,150,000. The land is adjacent to the property on which the Organization's current facility is located. It is the Organization's intention to improve the property by developing a performing arts concert hall, numerous classrooms, and rehearsal rooms to support and enhance the Organization's current charitable mission.

Management has elected not to depreciate the structural components of the building based on its "National Landmark" designation. However, due to their nature, certain other building components are being depreciated over their estimated useful lives.

In 2016, the Board approved that feasibility studies be performed on the vacant land in hopes of breaking ground to begin construction on a new facility for the Organization. The total, \$418,274, has been categorized as Project in Progress.

Depreciation expense in the amount of \$24,672 is reported on the Statement of Functional Expenses for the year ended May 31, 2023.

NOTES TO FINANCIAL STATEMENTS (Continued)

**NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS**

Net Assets were donor-restricted at May 31, 2023 for the following purposes:

<u>Purpose for Restrictions</u>	<u>Amount</u>
Dream With Us	\$ 657,986
Young Music Scholars	84,054
Staging the Future	91,885
	<u>\$ 833,925</u>

**NOTE 9 - BOARD-DESIGNATED NET ASSETS**

The Governing Board of the Organization has designated Net Assets Without Donor Restrictions at May 31, 2023 for the following purposes:

<u>Purpose for Designation</u>	<u>Amount</u>
Staging the Future	\$ 756,555

**NOTE 10 - REVENUE FROM CONTRACTS WITH CUSTOMERS**

The following table provides information about significant changes in deferred revenue for the year ended May 31, 2023:

Deferred revenue, beginning of the year	\$ 31,555
Revenue recognized that was included in deferred revenue at the beginning of the year	(31,555)
Increase in deferred revenue due to cash received during the year	<u>39,409</u>
Deferred revenue, end of the year	<u>\$ 39,409</u>

**NOTE 11 - LEASES**

Lessee: The Organization's operating lease consists of a copier.

Summary of leases and future maturities of lease liabilities are presented in the following table, for the fiscal year ending May 31, 2023:

Components of Lease Cost:	
Operating Lease Cost:	
Amortization of right-of-use assets	\$ 9,463
Interest on lease liabilities	1,160
Total Lease Cost	<u>\$ 10,623</u>
	Operating
ROU Assets	\$ 45,737
Accumulated Amortization	(11,523)
Total Lease Liabilities	<u>\$ 34,214</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

Weighted Average Remaining Lease Term: 2.83 years

Weighted Average Discount Rate: 2.94%

Future Lease Maturities:	
2024	\$ 11,752
2025	12,102
2026	10,360
	<u>\$ 34,214</u>
	<u>\$ 34,214</u>

**NOTE 12 - RELATED-PARTY TRANSACTION**

Artist Teaching Limited (ATL), a related party company, is reimbursed by the Organization for the cost of all keyperson insurance, health insurance premiums, and telephone expenses. The Organization paid \$17,098 to ATL for these purposes for the year ended May 31, 2023.

**NOTE 13 - EMPLOYEE RETENTION CREDIT**

The CARES Act provides an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Organization qualified for the tax credit under the CARES Act for all four quarters of 2020 and the first three quarters of 2021. The Organization qualifies for a total of \$297,284 under this program, which was recorded as a net asset adjustment for the year ended May 31, 2023.

**NOTE 14 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through August 31, 2023, the date on which the financial statements were available to be issued.

**NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE**

The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): The Organization did not restate prior periods as presented under FASB ASC 840 and instead made the adjustment as of January 1, 2022 for the cumulative impact of adoption of FASB ASC 842.