

BUSS & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CLINTON TOWNSHIP, MICHIGAN

# THE ART CENTER

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**Mount Clemens, Michigan**

**FINANCIAL REPORT**

**September 30, 2021**

THE ART CENTER  
Mount Clemens, Michigan  
TABLE OF CONTENTS  
September 30, 2021

PAGE NO.

1	INDEPENDENT AUDITOR'S REPORT	Exhibit
2	STATEMENTS OF FINANCIAL POSITION	1
3-4	STATEMENTS OF ACTIVITIES	2
5	STATEMENTS OF FUNCTIONAL EXPENSES	3
6	STATEMENTS OF CASH FLOWS	4
7-11	NOTES TO FINANCIAL STATEMENTS	

INDEPENDENT AUDITOR'S REPORT

February 11, 2022

Board of Trustees  
The Art Center  
Mount Clemens, Michigan

We have audited the accompanying financial statements of The Art Center (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well 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 The Art Center as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully,

BUSS & COMPANY, P.C.



Certified Public Accountants

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THE ART CENTER  
Mount Clemens, Michigan  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 337,543	\$ 220,599
Grants and contributions receivable	300	34,975
Prepaid expenses	3,880	8,023
Inventory	698	4,751
Property and equipment - Net of depreciation	<u>915,817</u>	<u>943,874</u>
Total Assets	<u>\$ 1,258,238</u>	<u>\$ 1,212,222</u>
<u>LIABILITIES:</u>		
Accounts payable	\$ 2,573	\$ 18,838
Notes payable	-	-
Other liabilities	1,658	1,658
Long-term debt	<u>-</u>	<u>34,881</u>
Total Liabilities	<u>\$ 4,231</u>	<u>\$ 55,377</u>
<u>NET ASSETS:</u>		
Without donor restrictions	\$ 1,130,304	\$ 1,128,532
With donor restrictions	<u>123,703</u>	<u>28,313</u>
Total Net Assets	<u>\$ 1,254,007</u>	<u>\$ 1,156,845</u>
Total Liabilities and Net Assets	<u>\$ 1,258,238</u>	<u>\$ 1,212,222</u>

See accompanying notes to financial statements.

THE ART CENTER  
Mount Clemens, Michigan  
STATEMENTS OF ACTIVITIES  
For The Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
Revenues and Gains:		
Contributions	\$ 91,006	\$ 92,589
Memberships	16,773	13,083
Donated space and occupancy	30,000	30,000
Investment return	5,659	16,730
Grants	156,978	111,925
Program services:		
Exhibit, gallery, classes and gift shop	64,867	64,292
Christmas Market	19,265	67,634
Mt. Clemens Art Fair and Art Party (Special events)	<u>7,250</u>	<u>3,160</u>
Total Revenues and Gains	\$ 391,798	\$ 399,413
 Net Assets Released from Restrictions	 <u>105,110</u>	 <u>124,439</u>
Total Revenues, Gains and Other Support	 <u>\$ 496,908</u>	 <u>\$ 523,852</u>
 Expenses and Losses:		
Program services:		
Exhibit, gallery, classes and gift shop	\$ 319,869	\$ 258,736
Christmas Market	25,375	88,050
Mt. Clemens Art Fair and Art Party (Special events)	11,570	7,748
Supporting Services		
Management and general	119,557	134,077
Fund-raising	<u>18,765</u>	<u>18,676</u>
Total Expenses and Losses	<u>\$ 495,136</u>	<u>\$ 507,287</u>
 INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS (CARRIED FORWARD)	 \$ 1,772	 \$ 16,565

(Continued)

THE ART CENTER  
Mount Clemens, Michigan  
STATEMENTS OF ACTIVITIES, CONTINUED  
For The Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS (BROUGHT FORWARD)	\$ 1,772	\$ 16,565
<u>NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Contributions and grants	\$ 200,500	\$ 49,000
Net assets released from restrictions	<u>(105,110)</u>	<u>(124,439)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>\$ 95,390</u>	<u>\$ (75,439)</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 97,162	\$ (58,874)
NET ASSETS - OCTOBER 1	<u>1,156,845</u>	<u>1,215,719</u>
NET ASSETS - SEPTEMBER 30	<u>\$ 1,254,007</u>	<u>\$ 1,156,845</u>

See accompanying notes to financial statements.

THE ART CENTER  
 Mount Clemens, Michigan  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 For The Years Ended September 30, 2021 and 2020

	2021						2020					
	PROGRAM SERVICES			SUPPORTING SERVICES			PROGRAM SERVICES			SUPPORTING SERVICES		
	EXHIBIT GALLERY CLASSES AND GIFT SHOP	CHRISTMAS MARKET	SPECIAL EVENTS	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL	EXHIBIT GALLERY CLASSES AND GIFT SHOP	CHRISTMAS MARKET	SPECIAL EVENTS	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Compensation and related:												
Employee leasing	\$ 90,195	\$ 6,476	\$ 2,438	\$ 59,732	\$ 8,187	\$ 167,028	\$ 73,119	\$ 22,477	\$ 1,051	\$ 68,676	\$ 8,769	\$ 174,092
Minigrant	53,338	-	-	-	-	53,338	39,209	-	-	-	-	39,209
Audit and legal	3,780	271	102	2,503	342	7,000	2,940	904	42	2,761	353	7,000
Office supplies	224	16	6	149	22	417	481	148	7	452	59	1,147
Telephone	1,877	135	51	1,242	169	3,474	2,188	672	31	2,054	261	5,208
Postage	1,715	123	46	1,136	156	3,176	1,682	517	24	1,578	202	4,004
Rent	21,452	1,540	580	14,206	1,946	39,724	12,601	3,873	181	11,834	1,510	30,000
Maintenance and repairs:												
Building	9,448	678	255	6,257	858	17,496	8,184	2,516	118	7,687	982	19,486
Equipment	972	70	26	644	88	1,800	1,094	336	16	1,028	131	2,605
Parking	565	41	15	374	51	1,046	156	48	2	146	20	371
Printing, advertising and publications	12,018	863	325	7,959	1,091	22,256	9,289	2,856	133	8,725	1,114	22,117
Travel	219	16	6	145	20	406	441	136	6	414	53	1,050
Depreciation	21,738	1,581	587	14,396	1,973	40,255	16,650	5,118	239	15,639	1,998	39,644
Contract services	33,456	-	-	4,920	3,050	41,426	32,113	-	400	6,637	2,400	41,550
Insurance - General	2,449	176	66	1,622	221	4,536	1,822	560	26	1,711	219	4,338
Utilities	5,223	375	141	3,459	475	9,673	4,082	1,255	59	3,834	490	9,720
Professional memberships	943	68	25	624	86	1,746	873	268	13	820	104	2,080
Class expenses	38,006	-	-	-	-	38,006	33,880	-	-	-	-	33,880
Exhibit expenses	6,125	-	-	-	-	6,125	3,900	-	-	-	-	3,900
Christmas Market expenses	-	12,947	-	-	-	12,947	-	46,340	-	-	-	46,340
Art party and fair expenses	-	-	6,643	-	-	6,643	-	-	4,899	-	-	4,899
Credit card charges	6,419	-	-	-	-	6,419	6,534	-	-	-	-	6,534
Gift shop expense and consignment	9,422	-	-	-	-	9,422	7,414	-	-	-	-	7,414
Miscellaneous	285	20	8	188	26	527	84	26	1	79	10	200
Honorarium	-	-	250	-	-	250	-	-	500	-	-	500
Total Expenses	<u>\$ 319,869</u>	<u>\$ 25,375</u>	<u>\$ 11,570</u>	<u>\$ 119,557</u>	<u>\$ 18,765</u>	<u>\$ 495,136</u>	<u>\$ 258,736</u>	<u>\$ 88,050</u>	<u>\$ 7,748</u>	<u>\$ 134,077</u>	<u>\$ 18,676</u>	<u>\$ 507,287</u>

See accompanying notes to financial statements.

THE ART CENTER  
 Mount Clemens, Michigan  
STATEMENTS OF CASH FLOWS  
 For The Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ 97,162	\$ (58,874)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	40,255	39,644
PPP loan forgiveness	(69,762)	
Loss on disposal of assets		-
(Increase) decrease in grants and contributions receivable	34,675	73,634
(Increase) decrease in inventory	4,053	2,026
(Increase) decrease in prepaid expense	4,143	(4,329)
Increase (decrease) in accounts payable	<u>(16,265)</u>	<u>(2,696)</u>
Net Cash Provided (Used) by Operating Activities	\$ 94,261	\$ 49,405
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(12,198)	(2,000)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from the PPP Loan	<u>34,881</u>	<u>34,881</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	 \$ 116,944	 \$ 82,286
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>220,599</u>	 <u>138,313</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 337,543</u>	 <u>\$ 220,599</u>

See accompanying notes to financial statements.



THE ART CENTER  
 Mount Clemens, Michigan  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2021

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Art Center is a non-profit organization established for the purpose to enrich and inspire the lives of Macomb County residents and visitors of all ages through the infusion of the arts into everyday life. The Art Center is funded by contributions, grants, memberships, programs, sales of art work and special events. Consequently, The Art Center's ability to maintain funding is affected by economic fluctuations in the regional economy.

**Basis of Accounting**

The financial statements are presented on the accrual basis of accounting.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to “donor-imposed” time or purpose restrictions.

Net Assets With Donor Restrictions – Net assets subject to “donor-imposed” restrictions that may or will be met by actions of the Organization and/or the passage of time.

**Cash and Cash Equivalents**

For the purposes of the statement of cash flows, The Art Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Available cash balances were as follows:

	<u>09/30/21</u>	<u>09/30/20</u>
Without donor restrictions	\$ 329,500	\$ 212,567
Without donor restrictions - Designated (Art in Public Places)	8,043	8,032
Total	<u>\$ 337,543</u>	<u>\$ 220,599</u>

**Concentration of Credit Risk**

The Organization maintains cash balances at local financial institutions. At times the balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash.

**Inventories (Gift Shop)**

Inventory amounts are based upon physical determination at year end and have been stated at the lower of cost or market prices. Cost prices are determined by the first-in, first-out method.

(Continued)

THE ART CENTER  
Mount Clemens, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
September 30, 2021

**NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Art Collection**

A significant portion of the art work on display at the Center is on consignment. The owned items in the collection, which were acquired through purchases and contributions since the Organization's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

**Property and Equipment**

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

**Revenue and Support**

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**In-Kind Contribution**

The Art Center records in-kind support from a contributed facility. Contributed items for the year ended September 30, 2021 amounted to \$30,000, representing facility use contributed to The Art Center.

**Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events have been evaluated by management through February 11, 2022, which is the date the financial statements were available to be issued.

(Continued)

THE ART CENTER  
Mount Clemens, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
September 30, 2021

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>09/30/21</u>	<u>09/30/20</u>
Equipment	\$ 42,565	\$ 30,367
Furniture and fixtures	88,257	88,257
Leasehold improvements	1,489,041	1,489,041
	<u>\$ 1,619,863</u>	<u>\$ 1,607,665</u>
Less: Accumulated depreciation	704,046	663,791
Net Property and Equipment	<u>\$ 915,817</u>	<u>\$ 943,874</u>

**NOTE C - THE ART CENTER ENDOWMENT FUNDS**

The Art Center Endowment Fund and the Gebran S. and Suzanne P. Anton Foundation Fund have been established as component funds of the Community Foundation for Southeast Michigan from contributions received from third party donors. These funds do not represent assets of The Art Center. The Community Foundation for Southeast Michigan distributes funds to The Art Center as it deems appropriate in accordance with investment policies adopted by the Community Foundation. The total market value of The Art Center Endowment Fund and the Gebran S. and Suzanne P. Anton Foundation Fund of the Community Foundation for Southeast Michigan as of September 30, 2021 and 2020 was \$299,389 and \$252,265, respectively.

Funds received from the Community Foundation during the years ended September 30, 2021 and 2020 were \$5,632 and \$16,709, respectively.

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

Assets have been reported as temporarily restricted for the following purposes as of September 30, 2021:

Community Foundation of SE Michigan - Purpose Restriction	\$ 55,000
Lighting project - Purpose Restrictions	50,000
Lakeshore Connections - Purpose Restrictions	16,338
Building improvements - Purpose Restriction	1,115
MCACA - Regrant Funds - Purpose Restriction	1,250
	<u>\$ 123,703</u>

**NOTE E - NOTE PAYABLE**

The Organization has an open line of credit with Chemical Bank in the amount of \$50,000 with interest at prime rate. There was no balance on the note at September 30, 2021 or September 30, 2020.

(Continued)

THE ART CENTER  
Mount Clemens, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
September 30, 2021

**NOTE F – LONG-TERM DEBT**

In May, 2020, the Organization received loan proceeds in the amount of \$34,881 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Organization used the proceeds for purposes consistent with the PPP and the loan and accrued interest were fully forgiven in December of 2020.

In January, 2021, the Organization received loan proceeds in the amount of \$34,881 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Organization used the loan proceeds consistent with requirements of PPP and received forgiveness of the associated debt in July of 2021.

**NOTE G - LEASED FACILITIES**

The Art Center receives a contribution for its Mount Clemens office space from the City of Mount Clemens on a 25 year lease which expires in 2030, and is treated as donated occupancy. Total rental expense including donated occupancy for the years ended September 30, 2021 and 2020, was \$30,000 each year.

**NOTE H - INCOME TAXES**

The Center is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for net income derived from unrelated business activities (none). The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Center is no longer subject to examination of its Form 990s (Federal Return of Organization Exempt from Income Tax) filed for years before 2017.

**NOTE I- FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has \$337,843 of financial assets available within one year of the financial statement date to meet cash needs for general expenditures consisting of cash of \$337,543 and accounts receivable of \$300. None of the financial assets are subject to donor or other restrictions that make them unavailable for general expenditure within one year of the financial statement date. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet a minimum of 60 days of normal operating expenses, which are, on average, approximately \$82,523. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various investments, which can be liquidated in the short term.

(Continued)

THE ART CENTER  
Mount Clemens, Michigan  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
September 30, 2021

NOTE K – SUBSEQUENT EVENTS

In March, 2020 the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.