

BUSS & COMPANY, P.C.

Certified Public Accountants
42550 Garfield, Suite 105
Clinton Township, Michigan 48038

Telephone (586) 263-8200
Facsimile (586) 263-8329

John E. Gideon, C.P.A.
Thomas J. Thomas, C.P.A.
Joseph M. Brandenburg, C.P.A.
Randy A. Carlier, C.P.A.

MEMBERS
The American Institute of
Certified Public Accountants
The Michigan Association of
Certified Public Accountants

March 20, 2023

Board of Trustees
The Art Center
Mount Clemens, Michigan

In planning and performing our audit of the financial statements of The Art Center (the "Organization") as of and for the year ended September 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we considered to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Organization's internal control to be significant deficiencies:

Internal Control over Financial Reporting

Under U.S. generally accepted accounting principles (GAAP), management has primary responsibility for the preparation of the financial statements in accordance with GAAP. The Organization provides certain reports and statements from its accounting program; however, management does not prepare the GAAP financial statements, including the related footnotes, or draft the accounting disclosures that are a required part of the financial reporting process.

Preparation of financial statements by The Art Center's certified public accountant/auditor cannot be included as part of the Organization's internal control. To alleviate the deficiency, management would need to identify an individual who would have primary responsibility for financial statement preparation, presentation of required disclosures, and identification of new accounting pronouncements applicable to the Organization.

This is a commonly noted deficiency in many small organizations including not-for-profit entities.

Segregation of Duties

One of the strongest controls in an internal control system is known as "segregation of duties." This means that there are different individuals performing the various duties within a specific accounting function. Having multiple individuals performing duties in the same accounting function acts as a check and balance.

As is common in many small organizations, there are often only a few people, and sometimes only one person performing the accounting and financial functions. And it is also common to have these

individuals concentrate their efforts in one area. While this is usually more cost efficient, it lends for a weak internal control system. This generally results in insufficient checks and balances in place and this situation could allow one person the ability to initiate financial functions independent of the approval (or knowledge) of others within the Organization.

This is the situation with The Art Center. Due to limited staff size, the Organization has a lack of segregation of duties with respect to certain accounting functions because the duties are centralized with one or two individuals.

This communication is intended solely for the information and use of management, the Board of Trustees and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

BUSS & COMPANY, P.C.



Certified Public Accountants

BUSS & COMPANY, P.C.

Certified Public Accountants
42550 Garfield, Suite 105
Clinton Township, Michigan 48038

Telephone (586) 263-8200
Facsimile (586) 263-8329

John E. Gideon, C.P.A.
Thomas J. Thomas, C.P.A.
Joseph M. Brandenburg, C.P.A.
Randy A. Carlier, C.P.A.

MEMBERS
The American Institute of
Certified Public Accountants
The Michigan Association of
Certified Public Accountants

March 20, 2023

Board of Trustees
The Art Center
Mount Clemens, Michigan

We have audited the financial statements of The Art Center for the year ended September 30, 2022, and have issued our report thereon dated March 20, 2023. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 20, 2022, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of The Art Center. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters with Philip Gilchrist, Executive Director, as reflected in our engagement letter dated October 20, 2022.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by The Art Center are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during 2022. We noted no transactions entered into by The Art Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

Management's estimates used in the allocation of functional expenses among program services and general and administrative categories. We evaluated the key factors and assumptions used to develop the allocations in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to the estimates discussed above.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Board of Trustees
The Art Center
March 20, 2023
Page 3

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 20, 2023, a copy of which is available from management.

Management Consultations with other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to The Art Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as The Art Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of The Art Center and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BUSS & COMPANY, P.C.



Certified Public Accountants

THE ART CENTER

Mount Clemens, Michigan

FINANCIAL REPORT

September 30, 2022

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CLINTON TOWNSHIP, MICHIGAN

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

THE ART CENTER

Mount Clemens, Michigan

FINANCIAL REPORT

September 30, 2022

THE ART CENTER
Mount Clemens, Michigan
TABLE OF CONTENTS
September 30, 2022

PAGE NO.

1-2	INDEPENDENT AUDITOR'S REPORT	Exhibit
3	STATEMENTS OF FINANCIAL POSITION	1
4-5	STATEMENTS OF ACTIVITIES	2
6	STATEMENTS OF FUNCTIONAL EXPENSES	3
7	STATEMENTS OF CASH FLOWS	4
8-11	NOTES TO FINANCIAL STATEMENTS	

INDEPENDENT AUDITOR'S REPORT

March 20, 2023

Board of Trustees
The Art Center
Mount Clemens, Michigan

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Art Center as of September 30, 2022, 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.

Basis of Opinion

We conducted our audit 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 Art Center 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 of our audit opinion.

Responsibility 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 Art Center'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 Responsibility 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 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.

Board of Trustees
The Art Center
Mount Clemens, Michigan

- 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 Art Center 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 Art Center 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.

Respectfully,

BUSS & COMPANY, P.C.


Certified Public Accountants

ml

THE ART CENTER
Mount Clemens, Michigan
 STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 211,773	\$ 337,543
Grants and contributions receivable	5,000	300
Prepaid expenses	3,677	3,880
Inventory	1,490	698
Property and equipment - Net of depreciation	<u>900,710</u>	<u>915,817</u>
 Total Assets	 <u>\$ 1,122,650</u>	 <u>\$ 1,258,238</u>
 <u>LIABILITIES:</u>		
Accounts payable	\$ 7,422	\$ 2,573
Notes payable	-	-
Sales tax payable	911	-
Other liabilities	450	1,658
Long-term debt	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>\$ 8,783</u>	 <u>\$ 4,231</u>
 <u>NET ASSETS:</u>		
Without donor restrictions	\$ 1,084,650	\$ 1,130,304
With donor restrictions	<u>29,217</u>	<u>123,703</u>
 Total Net Assets	 <u>\$ 1,113,867</u>	 <u>\$ 1,254,007</u>
 Total Liabilities and Net Assets	 <u>\$ 1,122,650</u>	 <u>\$ 1,258,238</u>

See accompanying notes to financial statements.

THE ART CENTER
Mount Clemens, Michigan
STATEMENTS OF ACTIVITIES
For The Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
Revenues and Gains:		
Contributions	\$ 165,969	\$ 91,006
Memberships	-	16,773
Donated space and occupancy	30,000	30,000
Investment return	11,784	5,659
Grants	52,775	156,978
Program services:		
Exhibit, gallery, classes and gift shop	113,625	64,867
Christmas Market	54,478	19,265
Mt. Clemens Art Fair and Art Party (Special events)	<u>18,306</u>	<u>7,250</u>
Total Revenues and Gains	\$ 446,937	\$ 391,798
Net Assets Released from Restrictions	<u>160,694</u>	<u>105,110</u>
Total Revenues, Gains and Other Support	<u>\$ 607,631</u>	<u>\$ 496,908</u>
Expenses and Losses:		
Program services:		
Exhibit, gallery, classes and gift shop	\$ 353,961	\$ 319,869
Christmas Market	70,983	25,375
Mt. Clemens Art Fair and Art Party (Special events)	18,582	11,570
Supporting Services		
Management and general	185,825	119,557
Fund-raising	<u>23,934</u>	<u>18,765</u>
Total Expenses and Losses	<u>\$ 653,285</u>	<u>\$ 495,136</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS (CARRIED FORWARD)	\$ (45,654)	\$ 1,772

(Continued)

THE ART CENTER
 Mount Clemens, Michigan
 STATEMENTS OF ACTIVITIES, CONTINUED
 For The Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS (BROUGHT FORWARD)	\$ (45,654)	\$ 1,772
 <u>NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Contributions and grants	\$ 66,208	\$ 200,500
Net assets released from restrictions	<u>(160,694)</u>	<u>(105,110)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>\$ (94,486)</u>	<u>\$ 95,390</u>
 INCREASE (DECREASE) IN NET ASSETS	 \$ (140,140)	 \$ 97,162
 NET ASSETS - OCTOBER 1	 <u>1,254,007</u>	 <u>1,156,845</u>
 NET ASSETS - SEPTEMBER 30	 <u><u>\$ 1,113,867</u></u>	 <u><u>\$ 1,254,007</u></u>

See accompanying notes to financial statements.

THE ART CENTER
 Mount Clemens, Michigan
 STATEMENTS OF FUNCTIONAL EXPENSES
 For The Years Ended September 30, 2022 and 2021

	2022						2021					
	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	\$ 63,248	\$ 15,752	\$ 5,294	\$ 82,423	\$ 8,972	\$ 175,688	\$ 90,195	\$ 6,476	\$ 2,438	\$ 59,732	\$ 8,187	\$ 167,028
Minigrant	52,577	-	-	-	-	52,577	53,338	-	-	-	-	53,338
Audit and legal	2,838	707	237	3,698	402	7,882	3,780	271	102	2,503	342	7,000
Office supplies	1,618	403	135	2,110	232	4,497	224	16	6	149	22	417
Telephone	1,531	381	128	1,993	216	4,249	1,877	135	51	1,242	169	3,474
Postage	850	212	71	1,108	121	2,361	1,715	123	46	1,136	156	3,176
Rent	14,868	3,703	1,244	19,375	2,108	41,298	21,452	1,540	580	14,206	1,946	39,724
Maintenance and repairs:												
Building	9,032	2,249	756	11,770	1,281	25,088	9,448	678	255	6,257	858	17,496
Equipment	1,587	395	133	2,068	225	4,407	972	70	26	644	88	1,800
Parking	405	101	34	528	57	1,125	565	41	15	374	51	1,046
Printing, advertising and publications	19,093	4,755	1,598	24,882	2,709	53,037	12,018	863	325	7,959	1,091	22,256
Travel	167	42	14	217	24	463	219	16	6	145	20	406
Interest	17	4	1	22	2	47	-	-	-	-	-	-
Depreciation	15,069	3,753	1,261	19,637	2,138	41,857	21,738	1,561	587	14,396	1,973	40,255
Contract services	76,226	-	-	4,715	4,216	85,157	33,456	-	-	4,920	3,050	41,426
Insurance - General	1,570	391	131	2,045	222	4,360	2,449	176	66	1,622	221	4,536
Utilities	4,783	1,191	400	6,234	680	13,287	5,223	375	141	3,459	475	9,673
Professional memberships	1,296	323	108	1,689	184	3,601	943	68	25	624	86	1,746
Class expenses	59,761	-	-	-	-	59,761	38,006	-	-	-	-	38,006
Exhibit expenses	4,915	-	-	-	-	4,915	6,125	-	-	-	-	6,125
Christmas Market expenses	-	36,371	-	-	-	36,371	-	12,947	-	-	-	12,947
Art party and fair expenses	-	-	6,352	-	-	6,352	-	-	6,643	-	-	6,643
Credit card charges	10,789	-	-	-	-	10,789	6,419	-	-	-	-	6,419
Gift shop expense and consignment	10,715	-	-	-	-	10,715	9,422	-	-	-	-	9,422
Miscellaneous	1,008	251	84	1,314	144	2,801	285	20	8	188	26	527
Honorarium	-	-	600	-	-	600	-	-	250	-	-	250
Total Expenses	<u>\$ 353,961</u>	<u>\$ 70,983</u>	<u>\$ 18,582</u>	<u>\$ 185,825</u>	<u>\$ 23,934</u>	<u>\$ 653,285</u>	<u>\$ 319,869</u>	<u>\$ 25,375</u>	<u>\$ 11,570</u>	<u>\$ 119,557</u>	<u>\$ 18,765</u>	<u>\$ 495,136</u>

See accompanying notes to financial statements.

THE ART CENTER
Mount Clemens, Michigan
STATEMENTS OF CASH FLOWS
For The Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ (140,140)	\$ 97,162
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	41,857	40,255
PPP loan forgiveness	-	(69,762)
(Increase) decrease in grants and contributions receivable	(4,700)	34,675
(Increase) decrease in inventory	(792)	4,053
(Increase) decrease in prepaid expense	203	4,143
Increase (decrease) in accounts payable	4,849	(16,265)
Increase (decrease) in payroll and sales taxes payable	911	-
Increase (decrease) in other liabilities	<u>(1,208)</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	\$ (99,020)	\$ 94,261
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(26,750)	(12,198)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from the PPP Loan	<u>-</u>	<u>34,881</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	 \$ (125,770)	 \$ 116,944
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>337,543</u>	 <u>220,599</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 211,773</u>	 <u>\$ 337,543</u>

See accompanying notes to financial statements.

THE ART CENTER
 Mount Clemens, Michigan
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2022

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>09/30/22</u>	<u>09/30/21</u>
Without donor restrictions	\$ 203,682	\$ 329,500
Without donor restrictions - Designated (Art in Public Places)	<u>8,091</u>	<u>8,042</u>
Total	<u>\$ 211,773</u>	<u>\$ 337,542</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, 2022

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, 2022 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 March 20, 2023, 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, 2022

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>09/30/22</u>	<u>09/30/21</u>
Equipment	\$ 42,565	\$ 42,565
Furniture and fixtures	88,257	88,257
Leasehold improvements	<u>1,515,791</u>	<u>1,489,041</u>
	\$ 1,646,613	\$ 1,619,863
Less: Accumulated depreciation	<u>745,903</u>	<u>704,046</u>
Net Property and Equipment	<u>\$ 900,710</u>	<u>\$ 915,817</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, 2022 and 2021 was \$245,809 and \$299,389, respectively.

Funds received from the Community Foundation during the years ended September 30, 2022 and 2021 were \$11,634 and \$5,632, respectively.

NOTE D - NET ASSETS WITH DONOR RESTRICTIONS

Assets have been reported as temporarily restricted for the following purposes as of September 30, 2022:

Lighting project - Purpose Restrictions	\$ 22,421
Historical Preservation - Purpose Restriction	1,708
MCACA - Professional Development - Purpose Restriction	690
MCACA - Regrant Funds - Purpose Restriction	<u>4,398</u>
	<u>\$ 29,217</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, 2022 or September 30, 2021.

(Continued)

THE ART CENTER
Mount Clemens, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2022

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, 2022 and 2021, 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 2018.

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 \$216,773 of financial assets available within one year of the financial statement date to meet cash needs for general expenditures consisting of cash of \$211,773 and accounts receivable of \$5,000. 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 \$108,881. 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.