

Buss & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

THE ART CENTER

Mount Clemens, Michigan

FINANCIAL REPORT

September 30, 2014

THE ART CENTER
Mount Clemens, Michigan
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INDEPENDENT AUDITOR'S REPORT

February 13, 2015

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 statement of financial position as of September 30, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 56,866	\$ 76,470
Grants and contributions receivable	51,465	81,869
Inventory	1,604	2,378
Property and equipment - Net of depreciation	<u>1,171,337</u>	<u>1,210,994</u>
Total Assets	<u>\$ 1,281,272</u>	<u>\$ 1,371,711</u>
<u>LIABILITIES:</u>		
Accounts payable	\$ 10,016	\$ 16,508
Notes payable	-	17,550
Other liabilities	<u>1,783</u>	<u>1,783</u>
Total Liabilities	<u>\$ 11,799</u>	<u>\$ 35,841</u>
<u>NET ASSETS:</u>		
Unrestricted	\$ 1,219,473	\$ 1,260,120
Temporarily restricted	<u>50,000</u>	<u>75,750</u>
Total Net Assets	<u>\$ 1,269,473</u>	<u>\$ 1,335,870</u>
Total Liabilities and Net Assets	<u>\$ 1,281,272</u>	<u>\$ 1,371,711</u>

See accompanying notes to financial statements.

THE ART CENTER
Mount Clemens, Michigan
STATEMENTS OF ACTIVITIES
For The Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>UNRESTRICTED NET ASSETS:</u>		
Unrestricted Revenues and Gains:		
Contributions	\$ 34,110	\$ 32,773
Memberships	16,020	14,400
Donated space and occupancy	30,000	30,000
Investment return	11,259	10,657
Grants	49,541	114,054
Program services:		
Exhibit, gallery, classes and gift shop	49,847	50,029
Christmas Market	47,729	58,094
Mt. Clemens Art Fair and Art Party (Special events)	<u>29,718</u>	<u>29,093</u>
Total Unrestricted Revenues and Gains	\$ 268,224	\$ 339,100
Net Assets Released from Restrictions	<u>46,250</u>	<u>28,250</u>
Total Unrestricted Revenues, Gains and Other Support	<u>\$ 314,474</u>	<u>\$ 367,350</u>
Expenses and Losses:		
Program services:		
Exhibit, gallery, classes and gift shop	\$ 171,317	\$ 179,544
Christmas Market	71,932	73,431
Mt. Clemens Art Fair and Art Party (Special events)	27,789	20,887
Supporting Services		
Management and general	70,218	67,454
Fund-raising	<u>13,865</u>	<u>12,282</u>
Total Expenses and Losses	<u>\$ 355,121</u>	<u>\$ 353,598</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS (CARRIED FORWARD)	\$ (40,647)	\$ 13,752

(Continued)

THE ART CENTER
Mount Clemens, Michigan
STATEMENTS OF ACTIVITIES, CONTINUED
For The Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS (BROUGHT FORWARD)	\$ (40,647)	\$ 13,752
<u>TEMPORARILY RESTRICTED NET ASSETS:</u>		
Contributions and grants	\$ 20,500	\$ 104,000
Net assets released from restrictions	<u>(46,250)</u>	<u>(28,250)</u>
Increase in Temporarily Restricted Net Assets	<u>\$ (25,750)</u>	<u>\$ 75,750</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (66,397)	\$ 89,502
NET ASSETS - OCTOBER 1	<u>1,335,870</u>	<u>1,246,368</u>
NET ASSETS - SEPTEMBER 30	<u>\$ 1,269,473</u>	<u>\$ 1,335,870</u>

See accompanying notes to financial statements.

THE ART CENTER
Mount Clemens, Michigan
STATEMENTS OF FUNCTIONAL EXPENSES
 For The Years Ended September 30, 2014 and 2013

	2014						2013					
	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	\$ 51,938	\$ 17,137	\$ 10,670	\$ 27,167	\$ 5,997	\$ 112,909	\$ 45,753	\$ 13,915	\$ 6,968	\$ 16,638	\$ 4,713	\$ 87,987
Minigrant	21,250	-	-	-	-	21,250	28,250	-	-	-	-	28,250
Audit and legal	2,806	926	576	1,468	324	6,100	3,172	965	483	1,153	327	6,100
Office supplies	467	154	96	244	54	1,015	583	177	89	212	60	1,121
Telephone	2,122	700	436	1,110	245	4,613	2,466	750	376	897	253	4,742
Postage	1,328	438	273	695	153	2,887	1,826	555	278	664	188	3,511
Rent	17,228	5,684	3,539	9,011	1,990	37,452	19,733	6,001	3,005	7,176	2,034	37,949
Maintenance and repairs:												
Building	7,219	2,382	1,483	3,776	834	15,694	6,611	2,010	1,007	2,404	681	12,713
Equipment	466	154	96	244	54	1,014	435	132	66	158	45	836
Parking	632	208	130	330	73	1,373	470	143	72	171	47	903
Printing, advertising and publications	4,424	1,480	909	2,314	511	9,618	2,891	879	440	1,051	299	5,560
Travel	833	275	171	436	95	1,810	894	272	136	325	93	1,720
Interest	151	50	31	79	17	328	332	101	51	121	34	639
Depreciation	21,830	7,203	4,485	11,419	2,520	47,457	24,440	7,433	3,722	8,887	2,518	47,000
Contract services	-	-	-	7,408	-	7,408	-	-	-	24,094	-	24,094
Insurance - General	1,506	497	309	788	174	3,274	1,589	483	242	578	163	3,055
Utilities	5,901	1,947	1,212	3,087	681	12,828	6,648	2,022	1,013	2,418	684	12,785
Professional memberships	718	237	147	375	83	1,560	764	232	116	278	79	1,469
Class expenses	15,802	-	-	-	-	15,802	15,308	-	-	-	-	15,308
Exhibit expenses	2,625	-	-	-	-	2,625	3,500	-	-	-	-	3,500
Christmas Market expenses	-	32,312	-	-	-	32,312	-	37,170	-	-	-	37,170
Art party and fair expenses	-	-	2,980	-	-	2,980	-	-	2,482	-	-	2,482
Credit card charges	2,984	-	-	-	-	2,984	3,185	-	-	-	-	3,185
Gift shop expense and consignment	8,575	-	-	-	-	8,575	10,065	-	-	-	-	10,065
Miscellaneous	512	169	105	268	59	1,113	629	191	96	229	64	1,209
Honorarium	-	-	140	-	-	140	-	-	245	-	-	245
Total Expenses	\$ 171,317	\$ 71,932	\$ 27,789	\$ 70,218	\$ 13,865	\$ 355,121	\$ 179,544	\$ 73,431	\$ 20,887	\$ 67,454	\$ 12,282	\$ 353,598

See accompanying notes to financial statements.

THE ART CENTER
 Mount Clemens, Michigan
STATEMENTS OF CASH FLOWS
 For The Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ (66,397)	\$ 89,502
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	47,457	47,000
(Increase) decrease in grants and contributions receivable	30,404	(80,749)
(Increase) decrease in inventory	774	722
Increase (decrease) in accounts payable	<u>(6,492)</u>	<u>5,492</u>
Net Cash Provided (Used) by Operating Activities	\$ 5,746	\$ 61,967
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(7,800)	(15,842)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Net change in note payable	<u>(17,550)</u>	<u>(4,450)</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	 \$ (19,604)	 \$ 41,675
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>76,470</u>	 <u>34,795</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 56,866</u>	 <u>\$ 76,470</u>

See accompanying notes to financial statements.

THE ART CENTER
 Mount Clemens, Michigan
NOTES TO FINANCIAL STATEMENTS
 September 30, 2014

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.

Financial Statement Presentation

As required by the Presentation of Financial Statements Topic for Not-For-Profit Entities of the FASB Accounting Standards codification, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. The Organization does not use fund accounting, as it is not a necessary part of external financial reporting.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions, as required by the Revenue Recognition Topic for Not-For-Profit Entities of the FASB Accounting Standards Codification.

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>09/30/14</u>	<u>09/30/13</u>
Unrestricted	\$ 48,972	\$ 68,595
Unrestricted - Designated (Art in Public Places)	7,895	7,875
Total	<u>\$ 56,866</u>	<u>\$ 76,470</u>

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.

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THE ART CENTER
Mount Clemens, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2014

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.

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.

In-Kind Contribution

The Art Center records in-kind support from a contributed facility. Contributed items for the year ended September 30, 2014 amounted to \$30,000, representing facility use contributed to The Art Center.

NOTE B – UNCONDITIONAL PROMISE TO GIVE:

The Art Center received a \$100,000 unconditional promise to give from the Richard and Jane Manoogian Foundation during 2012. Two of four annual installments remain as of September 30, 2014.

The balance of unconditional promise to give as of September 30, 2014:

Receivable in less than one year	\$ 25,000
Receivable in one to five years	<u>25,000</u>
Total Unconditional Promises to Give	<u>\$ 50,000</u>

(Continued)

THE ART CENTER
 Mount Clemens, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
 September 30, 2014

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>09/30/14</u>	<u>09/30/13</u>
Equipment	\$ 27,431	\$ 31,776
Furniture and fixtures	70,487	70,488
Leasehold improvements	1,486,346	1,479,163
	<u>\$ 1,584,264</u>	<u>\$ 1,581,427</u>
Less: Accumulated depreciation	412,927	370,433
Net Property and Equipment	<u>\$ 1,171,337</u>	<u>\$ 1,210,994</u>

NOTE D - 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, 2014 was \$253,075.

Funds received from the Community Foundation during the years ended September 30, 2014 and 2013 were \$11,174 and \$10,541, respectively.

NOTE E - RESTRICTIONS ON NET ASSETS

The Art Center 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Assets have been reported as temporarily restricted for the following purposes as of September 30, 2014:

Manoogian Foundation - Time Restriction	<u>\$ 50,000</u>
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THE ART CENTER
Mount Clemens, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2014

NOTE F - NOTE PAYABLE

The Organization had the following note payable:

	<u>09/30/14</u>	<u>09/30/13</u>
Note payable, Talmer Bank, Line of Credit, interest at 3.25%	<u>\$ -</u>	<u>\$ 17,550</u>

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 year ended September 30, 2014, amounted to \$30,000.

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 2010.

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 - SUBSEQUENT EVENTS:

Subsequent events have been evaluated by management through February 13, 2015, which is the date the financial statements were available to be issued.