

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

THE ART CENTER

Mount Clemens, Michigan

FINANCIAL REPORT

September 30, 2020

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

February 22, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 220,599	\$ 138,313
Grants and contributions receivable	34,975	108,609
Prepaid expenses	8,023	3,694
Inventory	4,751	6,777
Property and equipment - Net of depreciation	<u>943,874</u>	<u>981,518</u>
 Total Assets	 <u>\$ 1,212,222</u>	 <u>\$ 1,238,911</u>
 <u>LIABILITIES:</u>		
Accounts payable	\$ 18,838	\$ 21,534
Notes payable	-	-
Other liabilities	1,658	1,658
Long-term debt	<u>34,881</u>	<u>-</u>
 Total Liabilities	 <u>\$ 55,377</u>	 <u>\$ 23,192</u>
 <u>NET ASSETS:</u>		
Without donor restrictions	\$ 1,128,532	\$ 1,111,967
With donor restrictions	<u>28,313</u>	<u>103,752</u>
 Total Net Assets	 <u>\$ 1,156,845</u>	 <u>\$ 1,215,719</u>
 Total Liabilities and Net Assets	 <u>\$ 1,212,222</u>	 <u>\$ 1,238,911</u>

See accompanying notes to financial statements.

THE ART CENTER
 Mount Clemens, Michigan
 STATEMENTS OF ACTIVITIES
 For The Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS:</u>		
Revenues and Gains:		
Contributions	\$ 92,589	\$ 103,435
Memberships	13,083	16,519
Donated space and occupancy	30,000	30,000
Investment return	16,730	10,899
Grants	111,925	70,860
Program services:		
Exhibit, gallery, classes and gift shop	64,292	102,292
Christmas Market	67,634	69,861
Mt. Clemens Art Fair and Art Party (Special events)	<u>3,160</u>	<u>27,208</u>
Total Revenues and Gains	\$ 399,413	\$ 431,074
Net Assets Released from Restrictions	<u>124,439</u>	<u>121,310</u>
Total Revenues, Gains and Other Support	<u>\$ 523,852</u>	<u>\$ 552,384</u>
Expenses and Losses:		
Program services:		
Exhibit, gallery, classes and gift shop	\$ 258,736	\$ 259,062
Christmas Market	88,050	93,364
Mt. Clemens Art Fair and Art Party (Special events)	7,748	28,597
Supporting Services		
Management and general	134,077	149,910
Fund-raising	<u>18,676</u>	<u>23,877</u>
Total Expenses and Losses	<u>\$ 507,287</u>	<u>\$ 554,810</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS (CARRIED FORWARD)	\$ 16,565	\$ (2,426)

(Continued)

THE ART CENTER
 Mount Clemens, Michigan
STATEMENTS OF ACTIVITIES, CONTINUED
 For The Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS (BROUGHT FORWARD)	\$ 16,565	\$ (2,426)
<u>NET ASSETS WITH DONOR RESTRICTIONS:</u>		
Contributions and grants	\$ 49,000	\$ 49,000
Net assets released from restrictions	<u>(124,439)</u>	<u>(121,310)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	\$ (75,439)	\$ (72,310)
INCREASE (DECREASE) IN NET ASSETS	\$ (58,874)	\$ (74,736)
NET ASSETS - OCTOBER 1	<u>1,215,719</u>	<u>1,290,455</u>
NET ASSETS - SEPTEMBER 30	<u>\$ 1,156,845</u>	<u>\$ 1,215,719</u>

See accompanying notes to financial statements.

THE ART CENTER
 Mount Clemens, Michigan
 STATEMENTS OF FUNCTIONAL EXPENSES
 For The Years Ended September 30, 2020 and 2019

	2020						2019					
	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	\$ 73,119	\$ 22,477	\$ 1,051	\$ 68,676	\$ 8,769	\$ 174,092	\$ 65,297	\$ 21,175	\$ 8,248	\$ 63,816	\$ 8,893	\$ 167,429
Minigrant	39,209	-	-	-	-	39,209	43,834	-	-	-	-	43,834
Audit and legal	2,940	904	42	2,761	353	7,000	2,730	885	345	2,668	372	7,000
Office supplies	481	148	7	452	59	1,147	474	154	60	464	66	1,218
Telephone	2,188	672	31	2,054	261	5,208	2,062	669	260	2,016	282	5,288
Postage	1,682	517	24	1,579	202	4,004	1,585	514	200	1,549	216	4,064
Rent	12,601	3,873	181	11,834	1,510	30,000	17,001	5,513	2,147	16,616	2,316	43,593
Maintenance and repairs:												
Building	8,184	2,516	118	7,687	982	19,486	10,884	3,529	1,375	10,637	1,482	27,907
Equipment	1,094	336	16	1,028	131	2,605	1,658	538	209	1,620	227	4,251
Parking	156	48	2	146	20	371	297	96	38	290	40	761
Printing, advertising and publications	9,289	2,856	133	8,725	1,114	22,117	9,747	3,161	1,231	9,526	1,328	24,993
Travel	441	136	6	414	53	1,050	531	172	67	519	72	1,361
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	16,650	5,118	239	15,639	1,998	39,644	15,590	5,056	1,969	15,236	2,123	39,974
Contract services	32,113	-	400	6,637	2,400	41,550	350	-	1,310	5,133	3,700	10,493
Insurance - General	1,822	560	26	1,711	219	4,338	1,957	635	247	1,912	266	5,017
Utilities	4,082	1,255	59	3,834	490	9,720	4,262	1,382	538	4,165	579	10,927
Professional memberships	873	268	13	820	104	2,079	12,287	3,984	1,552	12,008	1,673	31,505
Class expenses	33,880	-	-	-	-	33,880	42,541	-	-	-	-	42,541
Exhibit expenses	3,900	-	-	-	-	3,900	4,975	-	-	-	-	4,975
Tours and hospitality	-	-	-	-	-	-	-	-	-	-	-	-
Christmas Market expenses	-	46,340	-	-	-	46,340	-	45,325	-	-	-	45,325
Art party and fair expenses	-	-	4,899	-	-	4,899	-	-	8,127	-	-	8,127
Credit card charges	6,534	-	-	-	-	6,534	6,997	-	-	-	-	6,997
Gift shop expense and consignment	7,414	-	-	-	-	7,414	12,227	-	-	-	-	12,227
Miscellaneous	84	26	1	79	10	200	1,776	576	224	1,735	242	4,553
Honorarium	-	-	500	-	-	500	-	-	450	-	-	450
Total Expenses	\$ 258,736	\$ 88,050	\$ 7,748	\$ 134,077	\$ 18,676	\$ 507,287	\$ 259,062	\$ 93,384	\$ 28,597	\$ 149,910	\$ 23,877	\$ 554,810

See accompanying notes to financial statements.

THE ART CENTER
 Mount Clemens, Michigan
 STATEMENTS OF CASH FLOWS
 For The Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ (58,874)	\$ (74,736)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	39,644	39,973
Loss on disposal of assets		-
(Increase) decrease in grants and contributions receivable	73,634	43,896
(Increase) decrease in inventory	2,026	(2,210)
(Increase) decrease in prepaid expense	(4,329)	(298)
Increase (decrease) in accounts payable	<u>(2,696)</u>	<u>7,903</u>
Net Cash Provided (Used) by Operating Activities	\$ 49,405	\$ 14,528
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(2,000)	-
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from the PPP Loan	<u>34,881</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ 82,286	\$ 14,528
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>138,313</u>	<u>123,785</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 220,599</u>	<u>\$ 138,313</u>

See accompanying notes to financial statements.

THE ART CENTER
 Mount Clemens, Michigan
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

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>09/30/20</u>	<u>09/30/19</u>
Without donor restrictions	\$ 212,567	\$ 130,280
Without donor restrictions - Designated (Art in Public Places)	<u>8,032</u>	<u>8,033</u>
Total	<u>\$ 220,599</u>	<u>\$ 138,313</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, 2020

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, 2020 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 22, 2021, which is the date the financial statements were available to be issued.

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THE ART CENTER
 Mount Clemens, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

NOTE B – UNCONDITIONAL PROMISE TO GIVE

The Art Center received a \$200,000 unconditional promise to give from the Richard and Jane Manoogian Foundation during 2018. The first of four annual installments was received in January 2018.

The balance of unconditional promise to give as of September 30, 2020:

Receivable in less than one year	\$ 25,000
Receivable in one to five years	-
	-
Total Unconditional Promises to Give	\$ 25,000

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>09/30/20</u>	<u>09/30/19</u>
Equipment	\$ 30,367	\$ 28,367
Furniture and fixtures	88,257	88,257
Leasehold improvements	1,489,041	1,489,041
	\$ 1,607,665	\$ 1,605,665
Less: Accumulated depreciation	663,791	624,147
Net Property and Equipment	\$ 943,874	\$ 981,518

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, 2020 and 2019 was \$252,265 and \$253,167, respectively.

Funds received from the Community Foundation during the years ended September 30, 2020 and 2019 were \$16,709 and \$10,840, respectively.

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Assets have been reported as temporarily restricted for the following purposes as of September 30, 2020:

Manoogian Foundation - Time Restriction	\$ 25,000
Building improvements - Purpose Restriction	1,115
MCACA - Regrant Funds - Purpose Restriction	2,198
	-
	\$ 28,313

(Continued)

THE ART CENTER
Mount Clemens, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2020

NOTE F - 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, 2020 or September 30, 2019.

NOTE G – 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.

NOTE H - 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, 2020 and 2019, was \$30,000 each year.

NOTE I - 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 2016.

NOTE J - 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 K – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$255,574 of financial assets available within one year of the financial statement date to meet cash needs for general expenditures consisting of cash of \$220,599 and accounts receivable of \$34,975. 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 \$84,548. 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, 2020

NOTE L – SUBSEQUENT EVENTS

In early March, 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.