

THE ART CENTER
FINANCIAL STATEMENTS
Year Ended June 30, 2025

THE ART CENTER

CONTENTS

	<u>Exhibit</u>
Independent Auditors' Report	
Financial Statements:	
Statement of Financial Position	A
Statement of Activities	B
Statement of Functional Expenses	C
Statement of Cash Flows	D
Notes to the Financial Statements	

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of The Art Center

Opinion

We have audited the accompanying financial statements of The Art Center (a nonprofit organization), which comprise the statement of financial position as June 30, 2025 and the related statements of activities, functional expenses, and cash flows for the nine-month period 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 June 30, 2025, and the changes in its net assets and its cash flows for the nine-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.
- 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's 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's 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.



Macomb, Michigan
October 23, 2025

THE ART CENTER

STATEMENT OF FINANCIAL POSITION

June 30, 2025

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 235,947
Cash and Cash Equivalents - Restricted	1,402
Grants and Contributions Receivable	500
Prepaid Expenses	16,480
Inventory	<u>3,243</u>

Total Current Assets \$ 257,572

Property and Equipment:

Office Equipment	72,729
Furniture and Fixtures	89,393
Leasehold Improvements	<u>1,515,791</u>

Total Property and Equipment at Cost	1,677,913
Less Accumulated Depreciation	<u>(867,224)</u>

Total Property and Equipment - Net 810,689

Total Assets \$ 1,068,261

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 9,075
Accrued Expenses	2,968
Sales Tax Payable	835
Deferred Revenues	<u>29,927</u>

Total Current Liabilities	<u>\$ 42,805</u>
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Total Liabilities	42,805
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NET ASSETS

Net Assets:

Without Donor Restrictions	1,024,054
With Donor Restrictions	<u>1,402</u>

Total Net Assets	<u>1,025,456</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,068,261</u></u>
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THE ART CENTER

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2025

Change in Net Assets without Donor Restrictions:

Revenues:

Contributions	\$ 35,695
Grants	75,025
Program Services	145,153
Donated Space	22,500
Net Assets Released From Restrictions	<u>-</u>

Total Revenues \$ 278,373

Functional Expenses:

Program Services	203,859
Management and General	164,766
Fundraising	<u>10,403</u>

Total Functional Expenses 379,028

Increase (Decrease) in Net Assets Without Donor Restrictions
Before Other Income (Expense) (100,655)

Other Income (Expense):

Interest Income	<u>18,608</u>
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Total Other Income (Expense) 18,608

Change in Net Assets Without Donor Restrictions (82,047)

Changes in Net Assets With Donor Restrictions:

Net Assets Released from Restriction	<u>-</u>
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Change in Net Assets With Donor Restrictions -

Total Change in Net Assets (82,047)

See Independent Auditors' Report and Accompanying Notes.

THE ART CENTER

STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2025

Net Assets Without Donor Restriction - Beginning of Year	\$ 1,106,101
Changes in Net Assets Without Donor Restriction	<u>(82,047)</u>
Net Assets Without Donor Restriction - End of Year	<u>\$ 1,024,054</u>
Net Assets With Donor Restriction - Beginning of Year	\$ 1,402
Changes in Net Assets With Donor Restriction	<u>-</u>
Net Assets With Donor Restriction - End of Year	<u>\$ 1,402</u>

See Independent Auditors' Report and Accompanying Notes.

THE ART CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2025

	Program Services	Supporting Activities			Total Expenses
		Management and General	Fundraising	Total Supporting Activities	
Functional Expenses:					
Salaries, PR Taxes and Benefits	\$ 83,113	\$ 40,424	\$ 10,403	\$ 50,827	\$ 133,940
Artist Commissions and Inventory Costs	40,450	-	-	-	40,450
Class Instructors and Performing Artists	38,963	-	-	-	38,963
Marketing and Program Printing	19,760	619	-	619	20,379
Program Supplies	6,936	960	-	960	7,896
Subscriptions and Software	4,360	278	-	278	4,638
Donated Program Fees	-	297	-	297	297
Awards and Fees	3,600	-	-	-	3,600
Contractual Services	2,354	481	-	481	2,835
Credit Card Fees	3,854	133	-	133	3,987
Other Program Costs	294	532	-	532	826
Depreciation	-	34,501	-	34,501	34,501
Building Rent	-	22,500	-	22,500	22,500
Building Maintenance and Supplies	-	13,948	-	13,948	13,948
Utilities, Internet and Telephone	-	16,233	-	16,233	16,233
Business Promotion	-	1,442	-	1,442	1,442
Audit and Professional Services	-	11,025	-	11,025	11,025
Subscriptions and Licenses	175	9,483	-	9,483	9,658
Office Supplies and Equipment	-	6,462	-	6,462	6,462
Business Insurance	-	3,803	-	3,803	3,803
Parking	-	1,205	-	1,205	1,205
Professional Memberships and Development	-	440	-	440	440
Total Functional Expenses	<u>\$ 203,859</u>	<u>\$ 164,766</u>	<u>\$ 10,403</u>	<u>\$ 175,169</u>	<u>\$ 379,028</u>

See Independent Auditors' Report and Accompanying Notes.

THE ART CENTER

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2025

Cash Flows from Operating Activities:	
Change in Net Assets Without Donor Restrictions	\$ (82,047)
Adjustments to Reconcile Change in Net Assets Without Donor Restrictions to Net Cash Provided by (Used in) Operating Activities:	
Depreciation and Amortization	34,501
(Increase) Decrease in Assets:	
Dues and Other Receivables	4,500
Prepaid Expenses	(7,180)
Inventory	(531)
Increase (Decrease) in Liabilities:	
Accounts Payable	231
Accrued Liabilities	(2,670)
Sales Tax Payable	(35)
Deferred Revenues	<u>20,503</u>
Net Cash Provided by (Used in) Operating Activities	\$ (32,728)
Cash Flows from Investing Activities:	
Purchases of Property and Equipment	<u>(16,330)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(16,330)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(49,058)
Cash and Cash Equivalents - Beginning of Year	<u>286,407</u>
Cash and Cash Equivalents - End of Year	<u>\$ 237,349</u>
Cash and Cash Equivalents - End of Year	\$ 235,947
Cash and Cash Equivalents - Restricted, End of Year	<u>\$ 1,402</u>
Cash and Cash Equivalents - End of Year	<u>\$ 237,349</u>
Supplemental Disclosure of Cash Flow Data:	
Interest Paid	<u>\$ -</u>

See Independent Auditors' Report and Accompanying Notes.

THE ART CENTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

The Art Center (the Organization) 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 Organization is funded by contributions, grants, programs, sales of art work and special events. Consequently, The Organization's ability to maintain funding is affected by economic fluctuations in the regional economy.

Basis of Accounting

The Organization uses the accrual basis of accounting in accordance with U.S. generally accepted accounting principles for reporting purposes. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates include the allocation of functional expenses, depreciation, and the reserve for uncollectible accounts receivable. Accordingly, actual results could differ from those estimates.

Basis of Financial Statement Presentation

Net assets, revenues, expenses, gains and losses are classified on the existence or absence of donor-imposed restrictions. Accordingly, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

In-Kind Contribution

The Art Center records in-kind support from a contributed facility. Contributed items for the nine months ended June 30, 2025 was \$22,500, representing facility use contributed to the Organization.

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.

See Independent Auditors' Report.

THE ART CENTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

The Organization maintains its cash in checking and money market accounts in commercial banks located in Michigan. The accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. During the year, balances may exceed the FDIC limits.

Cash and Cash Equivalents without donor restrictions at June 30, 2025 was as follows:

	2025
Without donor restriction	\$ 235,947
Total	\$ 235,947

Cash and Cash Equivalents – Restricted

Cash and Cash Equivalents with donor restrictions at June 30, 2025 are available for the following purposes or period:

	2025
Historical Preservation - Purpose Restriction	\$ 1,402
Total	\$ 1,402

At year end, all amounts are reported as temporarily restricted as a purpose restriction.

Accounts Receivable and Bad Debt Expense

The Organization uses the direct write-off method to recognize bad debt expense for accounts receivable and advances which may not be collectable. Customer accounts receivable is stated at the amount management expects to collect on balances. Management closely monitors outstanding balances and writes off, as of year-end, all balances past due after a certain period of time and for which all collection efforts have been exhausted. Bad debt expense for the nine months ended June 30, 2025 was \$0. No allowance for uncollectible accounts has been provided since management has determined that the potential for bad debts is not material at the balance sheet date.

See Independent Auditors' Report.

THE ART CENTER**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

Note 1 – Summary of Significant Accounting Policies (continued)Net Assets

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

Net Assets Without Donor Restrictions—Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions—Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources to be maintained in perpetuity. Unconditional promises to give or cash received for the acquisition or construction of long lived assets are recognized as revenue when pledged or received for the capital campaign (and no other stipulation exists) and released when expended on the related capital project. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring a specific expertise. However, individuals may volunteer their time and perform a variety of tasks that assist the Organization with administrative tasks.

Accounting Pronouncements Issued and Adopted

The Financial Accounting Standards Board has issued Accounting Standards Update (ASU) 2016-18, Restricted Cash, to address the diversity in practice of how changes in restricted cash are presented on the statement of cash flows. This ASU is applicable for the Organization's fiscal year ending June 30, 2025. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the statement of financial position and disclose the nature of restrictions.

See Independent Auditors' Report.

THE ART CENTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Note 1 – Summary of Significant Accounting Policies (continued)

Additionally, in February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This update includes a lease accounting model that recognizes two types of leases—finance leases and operating leases. The standard requires that a lessee recognize on the balance sheet assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. This update is effective for the Organization beginning in October 2022. The Organization has applied this pronouncement and does not have any material leases that apply.

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. The Organization capitalizes all expenditures for property and equipment in excess of \$500 and a useful life greater than one year. Accordingly, expenditures that do not meet this threshold are expensed when purchased. Depreciation expense for the nine months ended June 30, 2025 was \$34,501. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

	2025	Depreciable Life
Furniture and Fixtures	\$ 89,393	10-40 Years
Equipment	72,729	5-10 Years
Capital Improvements	1,515,791	7-40 Years
 Total Property and Equipment at Cost	 1,677,913	
 Less: Accumulated Depreciation	 <u>(867,224)</u>	
 Property and Equipment, Net	 <u>\$ 810,689</u>	

Art Collection

A significant portion of the artwork 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 not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

See Independent Auditors’ Report.

THE ART CENTER**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

Note 1 – Summary of Significant Accounting Policies (continued)Revenue

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

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.

Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The Organization has not identified any activity as unrelated business income. A provision for income taxes has not been reflected in the Organization's financial statements, accordingly. The Organization's tax returns are generally subject to examination by the Internal Revenue Service for a period of three years from the date they are filed.

Advertising and Marketing

Advertising costs and marketing are expensed as incurred. In-kind advertising contributions are recorded at fair market value. Advertising expense, including in-kind advertising contributions, for the nine months ended June 30, 2025 was approximately \$1,442.

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.

THE ART CENTER**NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2025

Note 1 – Summary of Significant Accounting Policies (continued)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 June 30, 2025 was \$294,859.

Funds received from the Community Foundation during the nine months ended June 30, 2025 was \$24,584.

Note 2 – Leases

The Art Center receives a contribution for its Mount Clemens building 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 nine months ended June 30, 2025 was \$22,500.

Note 3 – Concentrations 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.

Note 4 – Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

Note 5 – Retirement Plan

The Organization maintains a SIMPLE IRA retirement plan for all eligible employees with a portion to be matched by the employer. Employer contributions for the nine months ended June 30, 2025 was \$1,608.

See Independent Auditors' Report.

THE ART CENTER

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

Note 6 – Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities and other obligations when they come due.

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and Cash Equivalents	\$ 235,947
Grants and Contributions Receivable	500
Prepaid Expense	16,480
Inventory	<u>3,243</u>
Total	<u>\$ 256,170</u>

Note 7 – Fiscal Year Change

Effective the fiscal year beginning October 1, 2024, the Organization changed from a fiscal year end of September 30 to June 30. A nine-month fiscal transition period from October 1, 2024 through June 30, 2025, precedes the start of a new fiscal year cycle.

Note 8 – Subsequent Events

The Organization has evaluated subsequent events through October 23, 2025, the date which the financial statements were available to be issued.

See Independent Auditors' Report.