

# WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

## FINANCIAL STATEMENTS

For the years ended  
June 30, 2021 and 2020

## TABLE OF CONTENTS

---

<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position.....	5
Statements of Activities.....	6
Statements of Functional Expenses .....	8
Statements of Cash Flows .....	10
Notes to Financial Statements .....	11
<b>INTERNAL CONTORL AND COMPLIANCE</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	23

## **INDEPENDENT AUDITOR'S REPORT**

December 7, 2021

To the Board of Directors  
West Michigan Center for Arts and Technology  
Grand Rapids, Michigan

We have audited the accompanying financial statements of West Michigan Center for Arts and Technology (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 West Michigan Center for Arts and Technology as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, on our consideration of West Michigan Center for Arts and Technology's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Michigan Center for Arts and Technology's internal control over financial reporting and compliance.



Certified Public Accountants  
Grand Rapids, Michigan

---

## FINANCIAL STATEMENTS

---

**This Page Intentionally Left Blank**

## STATEMENTS OF FINANCIAL POSITION

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

June 30, 2021 and 2020

#### ASSETS

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 1,535,542	\$ 703,275
Restricted cash and cash equivalents for Capital Campaign	354,822	360,465
Accounts receivable	152,389	60,304
Pledges receivable, net of allowance:		
Operations	204,203	431,531
Leave Your Mark Capital Campaign	505,500	721,166
Investments	934,451	495,352
Inventory	3,431	3,125
Prepaid expenses	8,849	12,350
Property and equipment, net of accumulated depreciation	5,109,449	5,308,175
Art collection	26,510	26,510
Beneficial interest in agency endowment	404,583	316,373
<b>Total Assets</b>	<b>\$ 9,239,729</b>	<b>\$ 8,438,626</b>

#### LIABILITIES AND NET ASSETS

##### Liabilities

Accounts payable	\$ 55,539	\$ 91,783
Accrued payroll	57,368	90,380
Accrued payroll liabilities	3,310	16,539
Deferred revenue	450,142	393,058
<b>Total Liabilities</b>	566,359	591,760

##### Net Assets

Net assets without donor restrictions:		
Undesignated	770,312	11,005
Net assets allocated for fixed assets	5,109,449	5,308,175
Board designated - technology grant	157,216	156,598
Net assets with donor restrictions:		
Time-restricted for future periods	1,653,682	1,661,088
Perpetual in nature	960,000	710,000
Fiscal sponsorship	22,711	-
<b>Total Net Assets</b>	8,673,370	7,846,866

<b>Total Liabilities and Net Assets</b>	<b>\$ 9,239,729</b>	<b>\$ 8,438,626</b>
---	---------------------	---------------------

## STATEMENTS OF ACTIVITIES

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Contributions	\$ 690,889	\$ 1,246,939	\$ 1,937,828
In-kind contributions	19,155	-	19,155
Program revenue	567,126	-	567,126
Special events, net of related expenses in the amount of \$90,101	67,239	-	67,239
Investment income, net	-	86,479	86,479
Interest income	4,633	5,796	10,429
Unrealized/realized gain/(loss) on investments	(220)	186,184	185,964
Net assets released from restrictions	1,260,093	(1,260,093)	-
<b>Total Revenue and Support</b>	<b>2,608,915</b>	<b>265,305</b>	<b>2,874,220</b>
<b>Expenses</b>			
Program services	1,562,859	-	1,562,859
Management and general	235,161	-	235,161
Fundraising	249,696	-	249,696
<b>Total Expenses</b>	<b>2,047,716</b>	<b>-</b>	<b>2,047,716</b>
<b>Change in Net Assets</b>	<b>561,199</b>	<b>265,305</b>	<b>826,504</b>
<b>Net Assets - beginning of year</b>	<b>5,475,778</b>	<b>2,371,088</b>	<b>7,846,866</b>
<b>Net Assets - end of year</b>	<b>\$ 6,036,977</b>	<b>\$ 2,636,393</b>	<b>\$ 8,673,370</b>



## STATEMENTS OF ACTIVITIES (Continued)

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Contributions	\$ 854,361	\$ 280,937	\$ 1,135,298
In-kind contributions	29,828	-	29,828
Program revenue	485,972	-	485,972
Special events, net of related expenses in the amount of \$28,592	85,900	-	85,900
Investment income, net	-	(23,428)	(23,428)
Interest income	4,090	7,844	11,934
Unrealized/realized loss on investments	-	(4,455)	(4,455)
Loss on sale of fixed assets	(217,950)	-	(217,950)
Net assets released from restrictions	333,309	(333,309)	-
<b>Total Revenue and Support</b>	<b>1,575,510</b>	<b>(72,411)</b>	<b>1,503,099</b>
<b>Expenses</b>			
Program services	1,686,233	-	1,686,233
Management and general	326,441	-	326,441
Fundraising	314,376	-	314,376
<b>Total Expenses</b>	<b>2,327,050</b>	<b>-</b>	<b>2,327,050</b>
<b>Change in Net Assets</b>	<b>(751,540)</b>	<b>(72,411)</b>	<b>(823,951)</b>
<b>Net Assets - beginning of year</b>	<b>6,227,318</b>	<b>2,443,499</b>	<b>8,670,817</b>
<b>Net Assets - end of year</b>	<b>\$ 5,475,778</b>	<b>\$ 2,371,088</b>	<b>\$ 7,846,866</b>

## STATEMENTS OF FUNCTIONAL EXPENSES

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the year ended June 30, 2021

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 732,236	\$ 167,325	\$ 149,867	\$ 1,049,429
Employee benefits	52,948	7,542	27,999	88,489
Payroll taxes	55,757	12,463	10,724	78,944
Retirement plan contributions	18,448	4,573	2,904	25,925
Professional fees	106,974	4,956	4,105	116,034
Insurance	22,008	1,529	1,529	25,066
Travel and accommodations expense	2,163	160	153	2,476
Program supplies	141,765	2,286	1,199	145,250
Office supplies and printing	5,384	1,036	14,193	20,613
Membership and dues	16,045	2,055	6,015	24,116
Telecommunications	12,578	872	856	14,307
Rent and occupancy	10,427	792	687	11,905
Utilities	35,221	2,458	2,458	40,138
Repairs and maintenance	86,287	5,978	5,978	98,242
Minor equipment	27,884	255	55	28,194
Program evaluation	28,425	-	-	28,425
Promotional and marketing	9,124	433	4,800	14,357
Events	4,401	1,664	453	6,517
Professional development	5,553	1,747	1,226	8,526
Depreciation	184,246	12,427	12,427	209,100
Bad debt	3,787	-	-	3,787
Bank and credit card fees	1,197	4,610	2,067	7,875
<b>Total Expenses</b>	<b>\$ 1,562,859</b>	<b>\$ 235,161</b>	<b>\$ 249,696</b>	<b>\$ 2,047,716</b>

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the year ended June 30, 2020

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 814,868	\$ 226,204	\$ 166,525	\$ 1,207,597
Employee benefits	46,116	17,068	32,283	95,467
Payroll taxes	67,372	17,172	12,429	96,973
Retirement plan contributions	21,656	5,929	3,444	31,029
Professional fees	127,889	18,467	7,433	153,789
Insurance	18,073	4,006	1,279	23,358
Travel and accommodations expense	15,520	1,859	2,128	19,507
Program supplies	117,588	2,065	1,424	121,077
Office supplies and printing	5,473	1,058	14,480	21,011
Telecommunications	10,644	669	454	11,767
Rent and occupancy	38,646	3,049	2,629	44,324
Utilities	30,852	2,154	2,153	35,159
Repairs and maintenance	68,855	4,720	4,762	78,337
Minor equipment	32,288	180	1,292	33,760
Program evaluation	21,425	-	-	21,425
Promotional and marketing	34,877	1,655	18,350	54,882
Events	16,968	2,887	26,069	45,924
Professional development	4,131	75	816	5,022
Conference and seminars	434	331	1,304	2,069
Depreciation	189,408	12,718	12,717	214,843
Bad debt	-	-	125	125
Bank and credit card fees	3,150	4,175	2,280	9,605
<b>Total Expenses</b>	<b>\$ 1,686,233</b>	<b>\$ 326,441</b>	<b>\$ 314,376</b>	<b>\$ 2,327,050</b>

## STATEMENTS OF CASH FLOWS

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

	2021	2020
<b>Change in net assets</b>	\$ 826,504	\$ (823,951)
<b>Adjustments to reconcile the change in net assets to net cash provided by operating activities:</b>		
Depreciation	209,100	214,843
Loss on sale of assets	-	217,950
Unrealized gain on investments	(185,964)	4,455
Contributions and investment earnings restricted for capital campaign	(15,002)	(35,817)
Changes in assets and liabilities:		
Pledges and accounts receivable	350,909	699,133
Prepaid expenses	3,501	18,879
Inventory	(306)	2,155
Investment in agency endowment	(88,210)	14,363
Accounts payable	(36,244)	69,784
Accrued payroll and payroll liabilities	(46,241)	19,778
Deferred revenue	57,084	349,953
<b>Net Cash Provided by Operating Activities</b>	1,075,131	751,525
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(253,135)	(499,807)
Purchase of property and equipment	(10,374)	-
Purchase of art collection	-	(4,500)
Proceeds from sale of property and equipment	-	2,819
<b>Net Cash Used for Investing Activities</b>	(263,509)	(501,488)
<b>Cash Flows from Financing Activities</b>		
Contributions and investment earnings restricted for capital campaign	15,002	35,817
<b>Net Change in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents</b>	826,624	285,854
<b>Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of year</b>	1,063,740	777,886
<b>Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, end of year</b>	<u>\$ 1,890,364</u>	<u>\$ 1,063,740</u>
<b>Supplemental Disclosure of Cash Flows Information</b>		
Cash and cash equivalents for Capital Campaign	\$ 1,535,542	\$ 703,275
	354,822	360,465
<b>Total Cash and cash equivalents and Restricted cash and cash equivalents</b>	<u>\$ 1,890,364</u>	<u>\$ 1,063,740</u>

## NOTES TO FINANCIAL STATEMENTS

---

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### **Note A – Nature of Activities and Summary of Significant Accounting Policies**

##### **Nature of Organization**

The West Michigan Center for Arts and Technology (the Organization) provides a culture of opportunity for people to make social and economic progress in their lives and community. The Organization operates the following programs:

*Arts and Tech:* a nationally-recognized after school program for high school students from Grand Rapids Public Schools, which connects teens to project-based learning in visual arts and digital media. This tuition-free program engages students in studios led by professional teaching artists, focused on a particular discipline and connected to community partners as means of elevating voice and building community. Arts and Tech at WMCAT also includes daytime studio offerings for area middle and high schools, summer camps and summer employment experiences.

*Workforce Development:* supporting adults experiencing under and unemployment on a journey to economic security through a tuition-free Adult Career Training program in healthcare support and information technology pathways. Young adults are also supported through a curriculum-based approach to career and college exploration and mentoring through Step Year at WMCAT.

*Social enterprise* business models that affirm the mission of WMCAT and provide earned revenue back to mission-aligned work.

*Ambrose* at WMCAT is a commercial screen printing business that also mentors teens and young adults in entrepreneurship and the creative economy.

*Public Agency* at WMCAT is a human centered design consultancy that provides meaningful facilitation to organizations and systems, as well as training community catalysts to affect change in their own communities.

##### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting, recording revenue when earned rather than when received, and recording expenses when incurred rather than when paid.

##### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

##### **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits in banks, institutional money market funds, and cash on hand. For purposes of the statement of cash flows, the Organization considers all highly liquid investments

## NOTES TO FINANCIAL STATEMENTS

---

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### ***Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)***

##### **Cash and Cash Equivalents (Continued)**

purchased with original maturities of three months or less to be cash equivalents, except that such assets held in endowment are generally classified as noncurrent. The Organization's cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time during the year, the Organization may have cash in a bank account in excess of the federally insured limit.

##### **Accounts Receivable**

Accounts receivable represents amounts billed for fee for service revenue, primarily related to the Organization's Social Enterprise products and services. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. As of June 30, 2021 and 2020, the Organization believes all accounts receivable are collectible.

##### **Pledges Receivable**

Pledges receivable represent unconditional promises to give. The pledges are payable over a donor-specified period and have been discounted to a present value using a risk free interest rate applicable for the periods in which the pledge was received. The Organization evaluates pledges receivable for uncollectible pledges based upon historical loss experience and current economic conditions. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful pledges receivable was \$5,000 at June 30, 2021 and 2020, respectively.

##### **Investments**

Investments are stated at fair value as determined by quoted market prices. Unrealized gains and losses are included as changes in net assets in the accompanying statements of activities.

##### **Inventory**

Inventories, which consist primarily of Ambrose printing inventory, is valued at the lower of cost and net realizable value, using the first-in, first-out (FIFO) method. Net realizable value is defined as the estimated selling prices of the inventory in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

##### **Property and Equipment**

Property and equipment are stated at cost, or in the case of donated property, at estimated fair value at the date of donation.

## NOTES TO FINANCIAL STATEMENTS

---

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### **Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

##### **Property and Equipment (Continued)**

The Organization follows a capitalization policy of \$2,500 in determining assets to be depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 39 years according to the schedule below:

Building and building improvements	5 - 39 years
Furniture and equipment	5 - 7 years
Computers	3 - 5 years
Software	3 years
Vehicle	5 years

##### **Art Collection**

The art collection includes paintings which, if purchased, are added to the art collection at cost, and if donated, are capitalized at their appraised or fair value on the date received. It is assumed that the art collection does not lose value.

##### **Restricted Cash and Cash Equivalents**

The restricted cash and cash equivalents consist of demand deposits and short term investments which were collected from the Leave Your Mark campaign. These funds were used to construct a new facility in Grand Rapids which was completed in August of 2018. The remainder of the funds are restricted for operational use of the new facility.

##### **Net Assets**

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions – net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

## NOTES TO FINANCIAL STATEMENTS

---

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### ***Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)***

##### **Contributions**

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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. Contributions with donor-imposed restrictions that are met in the same year as received or earned are reported as unrestricted income.

##### **Revenue Recognition**

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance obligation or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. As of June 30, 2021, the Organization had \$615,613 in conditional grants that have not been recorded as grants revenue because the grant conditions have not been met.

A portion of the Organization's revenue is derived from cost-reimbursable governmental and private contracts and grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Revenues from programs are recognized at the time the service is provided. Revenue received for programs ahead of the time the service is provided are reported as deferred revenue in the statement of financial position.

##### **In-Kind Contributions**

The Organization recognized in-kind contributions that create or enhance nonfinancial assets or require specialized skills and would typically be purchased had they not been provided by donation. These contributions assist the programs and supportive services of the Organization and are recorded at their fair value as contributions and expenses in the statement of activities in the period the service is provided. The total value of in-kind contributions provided was \$19,155 and \$29,828 for the years ended June 30, 2021 and 2020, respectively. A portion of these in-kind contributions are included in the special event expenses reported on the Statements of Activities.



## NOTES TO FINANCIAL STATEMENTS

---

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### ***Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)***

##### **Fair Value Measurement**

Fair value (as it relates to investments) refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements). For a further discussion on Fair Value Measurement, refer to Note F of the financial statements.

##### **Functional Allocation of Expenses**

Directly identifiable expenses are charged to programs and support services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

##### **Income Taxes**

The Organization is a not-for-profit Organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is exempt from similar state and local taxes. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

The Organization evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with generally accepted accounting principles which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Organization has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Organization's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

##### **Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through DATE, which is the date the financial statements were available to be issued.

##### **Reclassifications**

Certain prior year financial statement amounts have been reclassified to conform with the current period's presentation.

## NOTES TO FINANCIAL STATEMENTS

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### **Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

##### **New Accounting Standard**

The Organization has adopted Accounting Standards Update (ASU) 2018-13 *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurements*, as management believes the standards improve the usefulness and understandability of the Organization's financial reporting.

##### **Note B – Investments**

Following are the values of investment securities as of June 30, 2021:

	<b>2021</b>	<b>2020</b>
Money market	\$ 41,171	\$ 273,570
Mutual funds	413,909	130,029
Exchange traded funds	479,371	91,753
Total	<u>\$ 934,451</u>	<u>\$ 495,352</u>

Investment income consists of the following amounts for the years ended June 30, 2021:

	<b>2021</b>	<b>2020</b>
Unrealized/realized gain/(loss) on investments	\$ 186,183	\$ (4,455)
Interest and dividend income	10,344	781
Total	<u>\$ 196,527</u>	<u>\$ (3,674)</u>

##### **Note C – Pledges Receivable**

The Organization had the following unconditional promises to give at June 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Receivable in less than one year	\$ 269,703	\$ 564,977
Receivable in one to five years	460,500	626,220
Total unconditional promises to give	730,203	1,191,197
Less discounts to net present value at 2%	(15,500)	(33,500)
Less allowance for uncollectible pledges	(5,000)	(5,000)
	<u>\$ 709,703</u>	<u>\$ 1,152,697</u>

## NOTES TO FINANCIAL STATEMENTS

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### **Note D – Property and Equipment**

Property and equipment at June 30, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>
Building	\$ 3,682,150	\$ 3,682,150
Building improvements	1,654,355	1,654,355
Furniture and equipment	347,576	337,202
Computers	19,371	19,371
Software	12,000	12,000
Vehicle	22,394	22,394
	<u>5,737,846</u>	<u>5,727,472</u>
Accumulated depreciation	(628,397)	(419,297)
Property and equipment, net	<u>\$ 5,109,449</u>	<u>\$ 5,308,175</u>

#### **Note E – Beneficial Interest in Agency Endowment**

In June 2006, the Organization transferred \$50,000 into an Agency Fund at the Grand Rapids Community Foundation (the Foundation). In September 2007, the Organization transferred an additional \$160,000 into in the Agency Fund at the Grand Rapids Community Foundation. The Organization is the income beneficiary of the fund which had a fair value of \$404,583 and \$316,373 at June 30, 2021 and 2020, respectively.

The value of the beneficial interest is based upon the fair value of the assets held in the Agency Fund. Annual distributions from the fund are recorded as a reduction in the carrying value of the fund. Annual earnings are recorded as investment income. Adjustments in the value of the beneficial interest are recorded as a change in beneficial interest in agency endowment.

The Fund agreements, which grant variance power to the Foundation, allows the Organization a 30-day period during which it may advise the Foundation of its views regarding the proposed exercise of the power and take such other action as it deems appropriate. The Foundation agrees that if its Board of Trustees proposes to exercise the variance power, the exercise of such power shall not be effective earlier than at least 30 days after the written notice to the Organization.

#### **Note F – Fair Value Measurements**

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

## NOTES TO FINANCIAL STATEMENTS

---

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### **Note F – Fair Value Measurements (Continued)**

The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2** – Quoted prices in markets that are not considered active or financial instruments for which significant inputs include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.

**Level 3** – Significant unobservable inputs, which may include the Organization's own assumptions in determining fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

*Mutual funds and money market funds:* Valued based on quoted net asset values of the shares held by the Organization on the last business day of the year.

*Exchange-traded funds:* Determined by the published closing price on the last business day of the fiscal year.

*Beneficial interest in assets held by foundation:* Fair value measurements of the underlying investments held by the Foundation are based on quoted prices. The underlying assets held by the Foundation cannot be liquidated or redeemed by the Organization. As such, no quoted prices or active market prices are available however, the carrying value of this asset is equal to the allocated portion of the total fair value of the underlying investments held by the foundation.

As stated in Note E, the Organization is the beneficiary under an agency endowment administered by the Grand Rapids Community Foundation. The beneficial interest in assets of the Grand Rapids Community Foundation are considered Level 3 because the interest is part of a pool that is made up of assets of various fair value inputs, as determined by the Foundation. A reconciliation of the changes in the fair value of Foundation assets for years ended June 30, 2021 and 2020, is presented in Note H.

The Organization's management evaluated the significance of transfers between levels based on the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended June 30, 2021 and 2020, there were no significant transfers into or out of levels 1, 2, or 3.

## NOTES TO FINANCIAL STATEMENTS

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### Note F – Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis comprise the following for the years ended June 30, 2021 and 2020:

Description	Fair Value June 30, 2021	Level 1 Quoted Prices in Active Markets	Level 3 Significant Unobservable Inputs
Money market	\$ 41,171	\$ 41,171	\$ -
Mutual funds	413,909	413,909	-
Exchange traded funds	479,371	479,371	-
Beneficial interest in agency endowment	404,583	-	404,583
Total	\$ 1,339,034	\$ 934,451	\$ 404,583

Description	Fair Value June 30, 2020	Level 1 Quoted Prices in Active Markets	Level 3 Significant Unobservable Inputs
Money market	\$ 273,570	\$ 273,570	\$ -
Mutual funds	130,029	130,029	-
Exchange traded funds	91,753	91,753	-
Beneficial interest in agency endowment	316,373	-	316,373
Total	\$ 811,725	\$ 495,352	\$ 316,373

#### Note G – Net Assets With Donor Restrictions

Net assets with donor restrictions are either donor restricted for specific purposes, or for use in a specified period of time. The balances at June 30, 2021 and 2020 consist of the following:

	2021	2020
Operations	\$ 595,413	\$ 545,605
Leave Your Mark capital campaign	1,053,246	1,115,483
Perpetual endowment funds	960,000	710,000
Community Catalysts	5,023	-
Fiscal sponsorship	22,711	-
Total	\$ 2,636,393	\$ 2,371,088

## NOTES TO FINANCIAL STATEMENTS

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### **Note H – Endowment Net Assets (Beneficial Interest)**

The Organization has adopted the accounting and disclosure guidance provided by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Michigan's version of UPMIFA became effective on September 10, 2009. As such, the Organization has adopted the required provisions of the Act. Endowment net assets consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Endowment assets - Beneficial Interest in Agency Endowment, the principal of which is restricted to be held in perpetuity with earnings used for the continuing interest in the Center	<u>\$ 404,583</u>	<u>\$ 316,373</u>

The management of the Organization has interpreted current law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts to the perpetual endowment and (b) the original value of subsequent gifts to the perpetual endowment. From time to time, the fair value of the assets associated with the endowment funds fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies result from unfavorable market fluctuations that occur occasionally. There was no deficiency as of June 30, 2021 however, at June 30, 2020, funds with original gifts of \$210,000, fair values of \$183,396 and deficiencies of \$26,604 were reported in net assets with donor restrictions. Changes in endowment net assets for the years ended June 30, 2021 and 2020 were as follows:

	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Endowment Funds</b>		
<b>July 1, 2019</b>	\$ 330,736	\$ 330,736
Investment income	6,667	6,667
Unrealized/realized loss	(17,314)	(17,314)
Investment expenses	(3,716)	(3,716)
<b>June 30, 2020</b>	316,373	316,373
Investment income	5,875	5,875
Unrealized/realized gain	86,478	86,478
Investment expenses	(4,143)	(4,143)
<b>Endowment Funds</b>		
<b>June 30, 2021</b>	<u>\$ 404,583</u>	<u>\$ 404,583</u>

## NOTES TO FINANCIAL STATEMENTS

---

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### ***Note J – Employee Retirement Plan***

The Organization adopted a Simple IRA retirement plan for all eligible employees effective January 1, 2017. The Organization's retirement plan requires a match of up to 3% of an eligible employees' salary. Total retirement plan expense was \$25,925 and \$31,029 for June 30, 2021 and 2020, respectively.

#### ***Note K – Deferred Revenue***

On May 6, 2020, the Organization received loan proceeds in the amount of \$264,366 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and provides for loans to qualifying businesses for amounts up to 2.5 times the average amount of qualified payroll expenses. The loans were forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and the borrower maintains their employment levels. During the year ended June 30, 2021, the loan was fully forgiven.

During the year ended June 30, 2021, the Organization obtained a second loan for \$264,367 under the Paycheck Protection Program (PPP2). Proceeds of the loan used for qualifying expenses may be forgiven under the terms of the PPP. The Organization plans to use the loan for qualify expenses as defined under the program.

The balance of deferred revenue as of June 30, 2021 and 2020 consisted mainly of grants received before the grant conditions were met and event revenue from events that were postponed to the 2021 fiscal year.

#### ***Note L – Liquidity and Availability***

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Organization's sources of liquidity at its disposal include cash and accounts receivable. For the purpose of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

## NOTES TO FINANCIAL STATEMENTS

### WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

For the years ended June 30, 2021 and 2020

#### **Note L – Liquidity and Availability (Continued)**

The following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures as of June 30:

	<b>2021</b>	<b>2020</b>
Financial assets:		
Cash and cash equivalents	\$ 1,535,542	\$ 703,275
Restricted cash and cash equivalents for Capital Campaign	354,822	360,465
Accounts receivable	152,389	60,304
Pledges receivable, net of allowance:		
Operations	204,203	431,531
Leave Your Mark Capital Campaign	505,500	721,166
Investments	934,451	495,352
Investment in Agency Endowment Fund	404,583	316,373
	<hr/>	<hr/>
Total financial assets	4,091,490	3,088,466
	<hr/>	<hr/>
Less amounts not available to be used within one year:		
Restricted cash and cash equivalents for Capital Campaign	354,822	360,465
Pledges receivable due after one year, net	440,000	587,720
Investments	934,451	495,352
Investment in Agency Endowment Fund	404,583	316,373
	<hr/>	<hr/>
Total restricted financial assets	2,133,856	1,759,910
	<hr/>	<hr/>
Financial assets available to meet general expenditures of the next twelve months	<u>\$ 1,957,634</u>	<u>\$ 1,328,556</u>

#### **Note M – Risks and Uncertainties**

The Organization's operations are heavily dependent on private and public donations from various sources. The COVID-19 outbreak may have continued material adverse impact on economic and market conditions, triggering a period of national economic slowdown. This situation may depress donations during fiscal year 2022 and ultimately negatively impact the Organization's financial condition and liquidity and may hinder the Organization's ability to advance their mission.

#### **Note N – Fiduciary Agent Agreement**

The Organization acts as a fiduciary agent for an organization with a similar mission. The Organization's responsibilities as a fiduciary agent include receiving and administering contributions as well as paying expenses. The Organization's policy is to record funds received as net assets with donor restriction and funds spent as net assets released from restriction. The Organization, as a fiduciary agent, has recorded \$22,711 at June 30, 2021 as net assets with donor restriction on the statement of financial position.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 7, 2021

To the Board of Directors  
West Michigan Center for Arts and Technology  
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of West Michigan Center for Arts and Technology (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the West Michigan Center for Arts and Technology's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Michigan Center for Arts and Technology's internal control. Accordingly, we do not express an opinion on the effectiveness of West Michigan Center for Arts and Technology's internal control.

*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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether West Michigan Center for Arts and Technology's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Grand Rapids, Michigan