

WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

FINANCIAL STATEMENTS

For the years ended
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

December 6, 2022

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

Opinion

We have audited the accompanying financial statements of West Michigan Center for Arts & Technology (a non-profit organization) which comprise the statement of financial position as June 30, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of West Michigan Center for Arts & Technology as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 West Michigan Center for Arts & Technology and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management 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; 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 West Michigan Center for Arts & Technology's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 West Michigan Center for Arts & Technology'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 West Michigan Center for Arts & Technology'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2022, on our consideration of West Michigan Center for Arts & 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 *Governmental Auditing Standards* in considering West Michigan Center for Arts & Technology's internal control over financial reporting and compliance.

Hungerford Nichols

Certified Public Accountants
Grand Rapids, Michigan

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

June 30, 2022 and 2021

ASSETS

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,889,323	\$ 1,535,542
Restricted cash and cash equivalents for Capital Campaign	13,271	354,822
Accounts receivable	113,724	152,389
Pledges receivable, net of allowance:		
Operations	113,534	204,203
Leave Your Mark Capital Campaign	406,625	505,500
Investments	1,370,928	934,451
Inventory	4,378	3,431
Prepaid expenses	1,170	8,849
Property and equipment, net of accumulated depreciation	4,917,418	5,109,449
Art collection	26,510	26,510
Beneficial interest in agency endowment	359,680	404,583
Total Assets	\$ 9,216,561	\$ 9,239,729

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 47,653	\$ 55,539
Accrued payroll	80,644	57,368
Accrued liabilities	3,855	3,310
Deferred revenue	87,839	450,142

Total Liabilities

219,991 566,359

Net Assets

Net assets without donor restrictions:		
Undesignated	1,358,120	770,312
Net assets allocated for fixed assets	4,917,418	5,109,449
Board designated - technology grant/operating reserve	327,763	157,216
Net assets with donor restrictions:		
Time-restricted for future periods	1,127,314	1,653,682
Perpetual in nature	1,240,000	960,000
Fiscal sponsorship	25,955	22,711

Total Net Assets

8,996,570 8,673,370

Total Liabilities and Net Assets

\$ 9,216,561 \$ 9,239,729

STATEMENTS OF ACTIVITIES

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the year ended June 30, 2022

	Without Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions of cash and other financial assets	\$ 638,729	\$ 1,364,873	\$ 2,003,602
Contributions of nonfinancial assets	21,061	-	21,061
Program revenue	777,569	-	777,569
Gross revenue from special events:			
Event revenue	96,263	-	96,263
Contributions of nonfinancial assets	787	-	787
Less direct expenses	(62,629)	-	(62,629)
Net special event revenue	34,421	-	34,421
Change in beneficial interest in agency endowment	-	(44,903)	(44,903)
Interest income, net	4,822	28,505	33,327
Unrealized/realized gain/(loss) on investments	-	(198,772)	(198,772)
Net assets released from restrictions	1,392,827	(1,392,827)	-
Total Revenue and Support	2,869,429	(243,124)	2,626,305
Expenses			
Program services	1,699,599	-	1,699,599
Management and general	288,941	-	288,941
Fundraising	314,565	-	314,565
Total Expenses	2,303,105	-	2,303,105
Change in Net Assets	566,324	(243,124)	323,200
Net Assets - beginning of year	6,036,977	2,636,393	8,673,370
Net Assets - end of year	\$ 6,603,301	\$ 2,393,269	\$ 8,996,570

STATEMENTS OF ACTIVITIES (Continued)

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions of cash and other financial assets	\$ 690,889	\$ 1,246,939	\$ 1,937,828
Contributions of nonfinancial assets	6,915	-	6,915
Program revenue	567,126	-	567,126
Gross revenue from special events:			
Event revenue	157,340	-	157,340
Contributions of nonfinancial assets	12,240	-	12,240
Less direct expenses	(90,101)	-	(90,101)
Net special event revenue	79,479	-	79,479
Change in beneficial interest in agency endowment	-	86,479	86,479
Interest income, net	4,633	5,796	10,429
Unrealized/realized loss on investments	(220)	186,184	185,964
Net assets released from restrictions	1,260,093	(1,260,093)	
Total Revenue and Support	2,608,915	265,305	2,874,220
Expenses			
Program services	1,562,859	-	1,562,859
Management and general	235,161	-	235,161
Fundraising	249,696	-	249,696
Total Expenses	2,047,716	-	2,047,716
Change in Net Assets	561,199	265,305	826,504
Net Assets - beginning of year	5,475,778	2,371,088	7,846,866
Net Assets - end of year	\$ 6,036,977	\$ 2,636,393	\$ 8,673,370

STATEMENTS OF FUNCTIONAL EXPENSES

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the year ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 622,993	\$ 201,600	\$ 184,555	\$ 1,009,148
Employee benefits	38,232	735	23,439	62,406
Payroll taxes	53,523	15,641	13,387	82,551
Retirement plan contributions	15,280	5,272	4,564	25,116
Professional fees	173,535	23,020	3,979	200,534
Insurance	18,892	4,018	1,312	24,222
Travel and accommodations expense	3,357	1,589	201	5,147
Program supplies	235,238	389	117	235,744
Office supplies and printing	1,899	1,857	412	4,168
Membership and dues	24,159	2,015	6,809	32,983
Telecommunications	6,709	466	466	7,641
Rent and occupancy	5,265	368	368	6,001
Utilities	36,377	2,539	2,539	41,455
Repairs and maintenance	97,521	6,930	6,468	110,919
Minor equipment	48,690	58	19,210	67,958
Program evaluation	22,500	-	-	22,500
Promotional and marketing	17,740	297	23,689	41,726
Events	86,702	1,010	2,632	90,344
Professional development	2,802	2,638	5,366	10,806
Depreciation	180,169	12,576	12,576	205,321
Bad debt	50	-	-	50
Bank and credit card fees	7,966	5,923	2,476	16,365
Total Expenses	\$ 1,699,599	\$ 288,941	\$ 314,565	\$ 2,303,105

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the year ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
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	24,115
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	98,243
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	6,518
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	1,198	4,610	2,067	7,875
Total Expenses	\$ 1,562,859	\$ 235,161	\$ 249,695	\$ 2,047,716

STATEMENTS OF CASH FLOWS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Change in net assets	\$ 323,200	\$ 826,504
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	205,321	209,100
Unrealized (gain)/loss on investments	198,772	(185,964)
Contributions and investment earnings restricted for capital campaign	-	(15,002)
Changes in assets and liabilities:		
Pledges and accounts receivable	228,209	350,909
Prepaid expenses	7,679	3,501
Inventory	(947)	(306)
Investment in agency endowment	44,903	(88,210)
Accounts payable	(7,886)	(36,244)
Accrued payroll and payroll liabilities	23,821	(46,241)
Deferred revenue	(362,303)	57,084
Net Cash Provided by Operating Activities	660,769	1,075,131
Cash Flows from Investing Activities		
Purchase of investments	(635,249)	(253,135)
Purchase of property and equipment	(13,290)	(10,374)
Net Cash Used for Investing Activities	(648,539)	(263,509)
Cash Flows from Financing Activities		
Contributions and investment earnings restricted for capital campaign	-	15,002
Net Change in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	12,230	826,624
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of year	1,890,364	1,063,740
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, end of year	<u>\$ 1,902,594</u>	<u>\$ 1,890,364</u>
Supplemental Disclosure of Cash Flows Information		
Cash and cash equivalents for Capital Campaign	\$ 1,889,323	\$ 1,535,542
	13,271	354,822
Total Cash and cash equivalents and Restricted cash and cash equivalents	<u>\$ 1,902,594</u>	<u>\$ 1,890,364</u>

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2022 and 2021

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.

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2022 and 2021

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

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 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.

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 2018. The remainder of the funds are restricted for operational use of the new facility.

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, 2022 and 2021, the Organization believes all accounts receivable are collectible.

Pledges Receivable

Pledges receivables 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, 2022 and 2021, respectively.

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.

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2022 and 2021

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

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.

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. 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.

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 & TECHNOLOGY

For the years ended June 30, 2022 and 2021

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, 2022, the Organization had \$680,245 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 \$21,848 and \$19,155 for the years ended June 30, 2022 and 2021, 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 & TECHNOLOGY

For the years ended June 30, 2022 and 2021

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 December 6, 2022, 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 & TECHNOLOGY

For the years ended June 30, 2022 and 2021

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

New Accounting Standard

The Organization has adopted Accounting Standards Update (ASU) 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. As a result of the adoption, the Organization has increased transparency in its reporting of contributed nonfinancial assets. See Note N. The standard was adopted retrospectively, and the adoption did not have an impact on the Organization's Net Assets.

Note B – Investments

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

	2022	2021
Money market	\$ 399,646	\$ 41,171
Mutual funds	484,687	413,909
Exchange traded funds	486,595	479,371
Total	<u>\$ 1,370,928</u>	<u>\$ 934,451</u>

Investment income consists of the following amounts for the years ended June 30, 2022 and 2021:

	2022	2021
Unrealized/realized gain/(loss) on investments	\$ (198,772)	\$ 186,184
Interest and dividend income	37,952	10,344
Total	<u>\$ (160,820)</u>	<u>\$ 196,528</u>

Note C – Pledges Receivable

The Organization had the following unconditional promises to give at June 30, 2022 and 2021:

	2022	2021
Receivable in less than one year	\$ 229,034	\$ 269,703
Receivable in one to five years	305,000	460,500
Total unconditional promises to give	534,034	730,203
Less discounts to net present value at 2%	(8,875)	(15,500)
Less allowance for uncollectible pledges	(5,000)	(5,000)
	<u>\$ 520,159</u>	<u>\$ 709,703</u>

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2022 and 2021

Note D – Property and Equipment

Property and equipment at June 30, 2022 and 2021 consisted of:

	2022	2021
Building	\$ 3,682,150	\$ 3,682,150
Building improvements	1,660,370	1,654,355
Furniture and equipment	354,851	347,576
Computers	19,371	19,371
Software	12,000	12,000
Vehicle	22,394	22,394
	<hr/>	<hr/>
	5,751,136	5,737,846
Accumulated depreciation	(833,718)	(628,397)
	<hr/>	<hr/>
Property and equipment, net	<u>\$ 4,917,418</u>	<u>\$ 5,109,449</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 \$359,680 and \$404,583 at June 30, 2022 and 2021, 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 & TECHNOLOGY

For the years ended June 30, 2022 and 2021

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, 2022 and 2021.

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, 2022 and 2021, 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, 2022 and 2021, there were no significant transfers into or out of levels 1, 2, or 3.

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2022 and 2021

Note F – Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis comprise the following for the years ended June 30, 2022 and 2021:

Description	Fair Value June 30, 2022	Level 1 Quoted Prices in Active Markets	Level 3 Significant Unobservable Inputs
Money market	\$ 399,646	\$ 399,646	\$ -
Mutual funds	484,687	484,687	-
Exchange traded funds	486,595	486,595	-
Beneficial interest in agency endowment	359,680	-	359,680
Total	\$ 1,730,608	\$ 1,370,928	\$ 359,680

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

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, 2022 and 2021 consist of the following:

	2022	2021
Operations	\$ 666,742	\$ 595,413
Leave Your Mark capital campaign	447,262	1,053,246
Perpetual endowment funds	1,240,000	960,000
Community Catalysts	13,310	5,023
Fiscal sponsorship	25,955	22,711
Total	\$ 2,393,269	\$ 2,636,393

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2022 and 2021

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, 2022 and 2021:

	<u>2022</u>	<u>2021</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	\$ 359,680	\$ 404,583

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. As of June 30, 2022 funds with original gifts of \$210,000, fair values of \$198,893 and deficiencies of \$11,107 were reported in net assets with donor restrictions. There was no deficiency as of June 30, 2021. Changes in endowment net assets for the years ended June 30, 2022 and 2021 were as follows:

	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Funds		
July 1, 2020	\$ 316,373	\$ 316,373
Investment income	5,875	5,875
Unrealized/realized gain	86,479	86,479
Investment expenses	(4,144)	(4,144)
June 30, 2021	404,583	404,583
Investment income	6,762	6,762
Unrealized/realized loss	(46,767)	(46,767)
Investment expenses	(4,898)	(4,898)
Endowment Funds		
June 30, 2022	<u>\$ 359,680</u>	<u>\$ 359,680</u>

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2022 and 2021

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 \$25,117 and \$25,925 for June 30, 2022 and 2021, 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 provided 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 if the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and the borrower maintained their employment levels. During the year ended June 30, 2021, the loan was fully forgiven and reported as a contribution in the statement of activities.

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 were forgiven under the terms of the PPP. The Organization used the loan for qualify expenses as defined under the terms. During the year ended June 30, 2022, the loan was fully forgiven and reported as a contribution in the statement of activities.

The balance of deferred revenue as of June 30, 2022 and 2021 consisted mainly of grants received before the grant conditions were met and event revenue from events that were postponed to a future year.

Note L – 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 \$25,955 and \$22,711 at June 30, 2022 and 2021 respectively, as net assets with donor restriction on the statement of financial position.

Note M – Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs, while striving to maximize the investment of its available funds. The Organization's sources of liquidity at its disposal include cash, accounts and pledges receivable, investments, and beneficial interest in an agency endowment. 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 & TECHNOLOGY

For the years ended June 30, 2022 and 2021

Note M – 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:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,889,323	\$ 1,535,542
Restricted cash and cash equivalents for Capital Campaign	13,271	354,822
Accounts receivable	113,724	152,389
Pledges receivable, net of allowance:		
Operations	113,534	204,203
Leave Your Mark Capital Campaign	406,625	505,500
Investments	1,370,928	934,451
Beneficial interest in agency endowment	359,680	404,583
	<hr/>	<hr/>
Total financial assets	4,267,085	4,091,490
	<hr/>	<hr/>
Less amounts not available to be used within one year:		
Restricted cash and cash equivalents for Capital Campaign	13,271	354,822
Restricted cash and cash equivalents for fiduciary agent	25,955	22,711
Pledges receivable due after one year, net	291,125	440,000
Investments	1,043,207	934,451
Beneficial interest in agency endowment	359,680	404,583
	<hr/>	<hr/>
Total restricted financial assets	1,733,238	2,156,567
	<hr/>	<hr/>
Financial assets available to meet general expenditures of the next twelve months	<u>\$ 2,533,847</u>	<u>\$ 1,934,923</u>

Note N – Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities as of June 30, 2022 and 2021 included:

Category	2022	2021
Computers	\$ 18,675	\$ -
Coffee	462	-
Special Events - books	787	12,240
Services	1,924	6,915
	<hr/>	<hr/>
	<u>\$ 21,848</u>	<u>\$ 19,155</u>

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2022 and 2021

Note N – Contributed Nonfinancial Assets (Continued)

Category	Revenue Recognized	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Computers	\$18,675	Programming	Workforce Development	Estimated the fair value based on estimates of wholesale values that would be received for selling similar products in the United States.
Coffee	\$462	Management and General	No associated donor restrictions	Estimated the fair value based on estimates of wholesale values that would be received for selling similar products in the United States.
Special Events - books	\$787	Fundraising	No associated donor restrictions	Estimated based on donor provided fair value amounts
Services	\$1,924	Programming	No associated donor restrictions	Estimated based on donor provided fair value amounts

**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 6, 2022

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, 2022, 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 December 6, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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