

WEST MICHIGAN CENTER FOR ARTS AND TECHNOLOGY

FINANCIAL STATEMENTS

For the years ended
June 30, 2023 and 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	6
Statements of Activities	7
Statements of Functional Expenses	9
Statements of Cash Flows	11
Notes to Financial Statements	12
INTERNAL CONTORL AND COMPLIANCE	
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>	24

INDEPENDENT AUDITOR'S REPORT

December 21, 2023

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 statements of financial position as June 30, 2023 and 2022 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, 2023 and 2022, 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 audits. 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 21, 2023 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 *Government 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, 2023 and 2022

ASSETS

	2023	2022
Assets		
Cash and cash equivalents	\$ 1,781,608	\$ 1,889,323
Restricted cash and cash equivalents for Capital Campaign	-	13,271
Accounts receivable	59,990	113,724
Pledges receivable	770,962	113,534
Leave Your Mark Capital Campaign	305,500	406,625
Investments	2,269,886	1,370,928
Inventory	-	4,378
Prepaid expenses	-	1,170
Property and equipment, net of accumulated depreciation	4,718,262	4,917,418
Art collection	26,510	26,510
Beneficial interest in agency endowment	204,811	359,680
Total Assets	\$ 10,137,529	\$ 9,216,561

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 200,085	\$ 47,653
Accrued payroll	89,045	80,419
Accrued liabilities	1,523	4,080
Deferred revenue	-	87,839
Total Liabilities	290,653	219,991

Net Assets

Net assets without donor restrictions:		
Undesignated	1,398,014	1,358,120
Net assets allocated for fixed assets	4,718,262	4,917,418
Board designated - operating reserve	615,000	327,763
Net assets with donor restrictions:		
Time-restricted for future periods	1,845,742	1,127,314
Perpetual in nature	1,255,000	1,240,000
Fiscal sponsorship	14,858	25,955
Total Net Assets	9,846,876	8,996,570
Total Liabilities and Net Assets	\$ 10,137,529	\$ 9,216,561

STATEMENTS OF ACTIVITIES

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the year ended June 30, 2023

	Without Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions of cash and other financial assets	\$ 457,037	\$ 2,170,464	\$ 2,627,501
Contributions of nonfinancial assets	34,708	-	34,708
Program revenue	578,391	-	578,391
Loss on disposal of asset	(7,275)	-	(7,275)
Gross revenue from special events:			
Event revenue	181,618	-	181,618
Contributions of nonfinancial assets	1,240	-	1,240
Less direct expenses	(63,809)	-	(63,809)
Net special event revenue	119,049	-	119,049
Change in beneficial interest in agency endowment	-	5,918	5,918
Interest income, net	22,837	37,823	60,660
Unrealized/realized gain on investments	-	90,743	90,743
Net assets released from restrictions	1,582,617	(1,582,617)	-
Total Revenue and Support	2,787,364	722,331	3,509,695
Expenses			
Program services	1,996,155	-	1,996,155
Management and general	364,446	-	364,446
Fundraising	298,787	-	298,787
Total Expenses	2,659,388	-	2,659,388
Change in Net Assets	127,975	722,331	850,306
Net Assets - beginning of year	6,603,301	2,393,269	8,996,570
Net Assets - end of year	\$ 6,731,276	\$ 3,115,600	\$ 9,846,876

STATEMENTS OF ACTIVITIES (Continued)

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the year ended June 30, 2022

	Without Donor 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 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 FUNCTIONAL EXPENSES

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the year ended June 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 773,384	\$ 237,886	\$ 137,260	\$ 1,148,530
Employee benefits	44,348	15,168	3,923	63,439
Payroll taxes	77,761	10,194	3,629	91,583
Retirement plan contributions	17,537	6,654	3,387	27,578
Professional fees	376,983	20,820	6,525	404,328
Insurance	23,621	3,634	3,028	30,284
Travel and accommodations expense	14,191	1,206	328	15,725
Program supplies	79,195	1,742	229	81,166
Office supplies and printing	9,538	1,662	4,746	15,946
Membership and dues	16,422	2,893	6,215	25,530
Telecommunications	7,592	1,175	953	9,720
Rent and occupancy	10,530	1,620	1,350	13,500
Utilities	37,678	5,797	4,831	48,306
Repairs and maintenance	78,250	12,078	9,220	99,548
Minor equipment	46,220	1,844	6,593	54,657
Program evaluation	22,500	-	-	22,500
Promotional and marketing	13,672	234	21,780	35,686
Events	91,171	2,391	61,574	155,136
Professional development	2,672	2,378	588	5,638
Depreciation	154,776	23,812	19,843	198,430
Student supports	79,816	-	-	79,816
Bad debt	510	-	-	510
Bank and credit card fees	17,788	11,258	2,785	31,831
Total Expenses	\$ 1,996,155	\$ 364,446	\$ 298,787	\$ 2,659,388

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

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 CASH FLOWS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Change in net assets	\$ 850,306	\$ 323,200
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	198,430	205,321
Unrealized (gain)/loss on investments	(90,743)	198,772
Loss on disposal of asset	7,275	-
Changes in assets and liabilities:		
Pledges and accounts receivable	(502,569)	228,209
Prepaid expenses	1,170	7,679
Inventory	4,378	(947)
Investment in agency endowment	154,869	44,903
Accounts payable	152,432	(7,886)
Accrued payroll and payroll liabilities	6,069	23,821
Deferred revenue	(87,839)	(362,303)
Net Cash Provided by Operating Activities	693,778	660,769
Cash Flows from Investing Activities		
Purchase of investments	(996,898)	(635,249)
Sales of investments	188,683	-
Purchase of property and equipment	(6,549)	(13,290)
Net Cash Used for Investing Activities	(814,764)	(648,539)
Net Change in Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	(120,986)	12,230
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of year	1,902,594	1,890,364
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, end of year	<u>\$ 1,781,608</u>	<u>\$ 1,902,594</u>
Supplemental Disclosure of Cash Flows Information		
Cash and cash equivalents for Capital Campaign	\$ 1,781,608	\$ 1,889,323
	-	13,271
Total Cash and cash equivalents and Restricted cash and cash equivalents	<u>\$ 1,781,608</u>	<u>\$ 1,902,594</u>

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2023 and 2022

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 a 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. This program dissolved during the current year.

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, 2023 and 2022

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.

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, 2023 and 2022, 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, 2023 and 2022, respectively.

Inventory

Inventory, which consisted 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, 2023 and 2022

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 Organization reports 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 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, 2023 and 2022

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

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 had not been recorded as grants revenue because the grant conditions have not been met. All conditions were met during the current year and recorded as revenue in the statement of activities.

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.

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.

Contributions of Nonfinancial Assets

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 \$35,948 and \$21,848 for the years ended June 30, 2023 and 2022, respectively. See Note L.

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.

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2023 and 2022

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.

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 31, 2023, which is the date the financial statements were available to be issued.

New Accounting Standard

During 2023, the organization adopted Accounting Standards Update (ASU) No. 2016-02: *Leases (Topic 842)*. As a result of the adoption of this ASU, the Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The adoption of this standard did not require the recognition of right-of-use assets or lease liabilities and did not have a material impact on the Organization's statement of activities or cash flows.

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2023 and 2022

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

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified to conform to the presentation in the current year financial statements.

Note B – Investments

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

	2023	2022
Money market	\$ 1,157,484	\$ 399,646
Mutual funds	524,721	484,687
Exchange traded funds	587,681	486,595
Total	<u>\$ 2,269,886</u>	<u>\$ 1,370,928</u>

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

	2023	2022
Unrealized/realized gain/(loss) on investments	\$ 90,743	\$ (198,772)
Interest and dividend income	62,381	37,952
Total	<u>\$ 153,124</u>	<u>\$ (160,820)</u>

Note C – Pledges Receivable

The Organization had the following unconditional promises to give at June 30, 2023 and 2022:

	2023	2022
Receivable in less than one year	\$ 492,128	\$ 229,034
Receivable in one to four years	633,334	305,000
Total unconditional promises to give	1,125,462	534,034
Less discounts to net present value at 5.5% and 2%, respectively	(44,000)	(8,875)
Less allowance for uncollectible pledges	(5,000)	(5,000)
	<u>\$ 1,076,462</u>	<u>\$ 520,159</u>

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2023 and 2022

Note D – Property and Equipment

Property and equipment at June 30, 2023 and 2022 consisted of:

	<u>2023</u>	<u>2022</u>
Building	\$ 3,682,150	\$ 3,682,150
Building improvements	1,666,920	1,660,370
Furniture and equipment	347,576	354,851
Computers	19,371	19,371
Software	12,000	12,000
Vehicle	22,394	22,394
	<u>5,750,411</u>	<u>5,751,136</u>
Accumulated depreciation	(1,032,149)	(833,718)
Property and equipment, net	<u>\$ 4,718,262</u>	<u>\$ 4,917,418</u>

Depreciation expense was \$198,430 and \$201,207 for the years ended June 30, 2023 and 2022, respectively.

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 \$204,811 and \$359,680 at June 30, 2023 and 2022, 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, 2023 and 2022

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, 2023 and 2022.

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022

Note F – Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis comprise the following at June 30, 2023 and 2022:

Description	Fair Value		
	June 30, 2023	Level 1	Level 3
Money market	\$ 1,157,484	\$ 1,157,484	\$ -
Mutual funds	524,721	524,721	-
Exchange traded funds	587,681	587,681	-
Beneficial interest in agency endowment	204,811	-	204,811
Total	\$ 2,474,697	\$ 2,269,886	\$ 204,811

Description	Fair Value		
	June 30, 2022	Level 1	Level 3
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

Note G – Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 are available for the following purposes:

	2023	2022
Operations	\$ 1,404,377	\$ 666,742
Leave Your Mark Capital Campaign	428,055	447,262
Perpetual endowment funds	1,255,000	1,240,000
Community Catalysts	13,310	13,310
Fiscal sponsorship	14,858	25,955
Total	\$ 3,115,600	\$ 2,393,269

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.

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2023 and 2022

Note H – Endowment Net Assets (Beneficial Interest) (Continued)

Endowment net assets consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</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>\$ 204,811</u>	<u>\$ 359,680</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. As of June 30, 2023 funds with original gifts of \$210,000, fair values of \$189,901 and deficiencies of \$20,099 were reported in net assets with donor restrictions. As of June 30, 2022 funds with original gifts of \$210,000, fair values of \$198,893 and deficiencies of \$11,107. Changes in endowment net assets for the years ended June 30, 2023 and 2022 were as follows:

	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Funds July 1, 2021	\$ 404,583	\$ 404,583
Investment income	6,762	6,762
Unrealized/realized loss	(46,767)	(46,767)
Investment expenses	(4,898)	(4,898)
June 30, 2022	359,680	359,680
Investment income	3,836	3,836
Unrealized/realized gain	5,079	5,079
Investment expenses	(2,997)	(2,997)
Grants allocated	(160,787)	(160,787)
Endowment Funds June 30, 2023	<u>\$ 204,811</u>	<u>\$ 204,811</u>

Note I – 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 \$27,578 and \$25,117 for June 30, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2023 and 2022

Note J – 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 \$14,858 and \$25,955 at June 30, 2023 and 2022 respectively, as net assets with donor restrictions on the statements of financial position.

Note K – 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. 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:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,781,608	\$ 1,889,323
Restricted cash and cash equivalents for Capital Campaign	-	13,271
Accounts receivable	59,990	113,724
Pledges receivable	770,962	113,534
Leave Your Mark Capital Campaign	305,500	406,625
Investments	2,269,886	1,370,928
Beneficial interest in agency endowment	204,811	359,680
Total financial assets	<u>5,392,757</u>	<u>4,267,085</u>
Less amounts not available to be used within one year:		
Restricted cash and cash equivalents for Capital Campaign	-	13,271
Restricted cash and cash equivalents for fiduciary agent	14,858	25,955
Pledges receivable restricted to Capital Campaign	105,500	105,000
Pledges receivable due after one year, net	584,334	291,125
Investments	1,157,272	1,043,207
Beneficial interest in agency endowment	204,811	359,680
Total restricted financial assets	<u>2,066,775</u>	<u>1,838,238</u>
Financial assets available to meet general expenditures of the next twelve months	<u>\$ 3,325,982</u>	<u>\$ 2,428,847</u>

NOTES TO FINANCIAL STATEMENTS

WEST MICHIGAN CENTER FOR ARTS & TECHNOLOGY

For the years ended June 30, 2023 and 2022

Note L – Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities as of June 30, 2023 and 2022 included:

Category	Revenue Recognized 2023	Revenue Recognized 2022	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Computers and supplies	\$135	\$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	\$394	\$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	\$1,240	\$787	Fundraising	No associated donor restrictions	Estimated based on donor provided fair value amounts.
Services	\$32,679	\$1,924	Programming	No associated donor restrictions	Estimated based on donor provided fair value amounts.
Clothing	\$1,500	\$0	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 21, 2023

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, 2023, 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 21, 2023.

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