

Birmingham Bloomfield Art Center, Inc.

Financial Statements

June 30, 2023

**(With Summarized Comparative
Information for 2022)**



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Independent Auditors' Report

To the Board of Directors
Birmingham Bloomfield Art Center, Inc.

Opinion

We have audited the accompanying financial statements of Birmingham Bloomfield Art Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Birmingham Bloomfield Art Center, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Birmingham Bloomfield Art Center, Inc. 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Birmingham Bloomfield Art Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Birmingham Bloomfield Art Center Inc.'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 Birmingham Bloomfield Art Center Inc.'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.

Report on Summarized Comparative Information

We have previously audited the Birmingham Bloomfield Art Center Inc.'s June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 1, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
January 31, 2024

Birmingham Bloomfield Art Center, Inc.

Statement of Financial Position

June 30, 2023

(With Summarized Comparative Information for June 30, 2022)

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 1,805,798	\$ 1,820,123
Receivables	104,227	58,566
Donated rent receivable	56,000	56,000
Investments	422,322	251,380
Total current assets	2,388,347	2,186,069
Donated rent receivable - net of current portion	311,392	339,222
Equipment and leasehold improvements - net	1,566,060	1,672,655
Collections	20,000	20,000
Total assets	\$ 4,285,799	\$ 4,217,946
Liabilities and net assets		
Current liabilities		
Trade accounts payable	\$ 49,518	\$ 41,879
Accrued liabilities and other	10,432	8,396
Deferred revenue	177,630	179,510
Total current liabilities	237,580	229,785
Net assets		
Without donor restrictions		
Undesignated	3,418,822	3,426,969
Board designated	75,000	75,000
Total without donor restrictions	3,493,822	3,501,969
With donor restrictions		
Purpose restrictions	97,499	90,964
Time-restricted for future periods	404,898	395,228
Purpose and passage of time	52,000	-
Total with donor restrictions	554,397	486,192
Total net assets	4,048,219	3,988,161
Total liabilities and net assets	\$ 4,285,799	\$ 4,217,946

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Art Center, Inc.
Statement of Activities
For the Year Ended June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenue and support				
Tuition and classroom fees	\$ 980,937	\$ -	\$ 980,937	878,416
Gallery and exhibition sales	148,767	-	148,767	126,826
Contributions and grants	135,839	150,272	286,111	225,974
Contributions of nonfinancial assets	32,345	-	32,345	26,500
Membership fees	52,437	-	52,437	52,964
Fundraising events	117,148	-	117,148	97,294
Investment return	37,161	-	37,161	1,380
Other income	16,456	-	16,456	146,740
Total revenue and support	1,521,090	150,272	1,671,362	1,556,094
Net assets released from restriction	82,067	(82,067)	-	-
Total revenue and support and net assets released	1,603,157	68,205	1,671,362	1,556,094
Expenses				
Program services				
Education	1,031,235	-	1,031,235	965,907
Gallery and exhibition sales	324,958	-	324,958	277,509
Total program services	1,356,193	-	1,356,193	1,243,416
Support services				
Management and general	104,295	-	104,295	94,045
Fundraising	127,906	-	127,906	118,699
Membership development	22,910	-	22,910	20,359
Total support services	255,111	-	255,111	233,103
Total expenses	1,611,304	-	1,611,304	1,476,519
Change in net assets	(8,147)	68,205	60,058	79,575
Net assets - beginning of year	3,501,969	486,192	3,988,161	3,908,586
Net assets - end of year	\$ 3,493,822	\$ 554,397	\$ 4,048,219	\$ 3,988,161

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Arts Center, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

	Program Services			Support Services				2023	2022
	Education	Gallery and Exhibition Sales	Total Program Services	Management and General	Fundraising	Membership Development	Total Support Services		
Salaries and wages	\$ 252,518	\$ 68,842	\$ 321,360	\$ 60,920	\$ 71,735	\$ 12,998	\$ 145,653	\$ 467,013	\$ 444,419
Employee benefits	3,759	1,025	4,784	907	1,068	193	2,168	6,952	3,446
Payroll taxes	21,091	5,750	26,841	5,088	5,991	1,086	12,165	39,006	37,024
Instructor fees	360,018	-	360,018	-	-	-	-	360,018	356,535
Occupancy	80,533	41,552	122,085	2,533	4,027	1,247	7,807	129,892	106,383
In-kind rent expense	34,720	17,914	52,634	1,092	1,736	538	3,366	56,000	56,006
Telephone	4,674	1,274	5,948	1,128	1,328	241	2,697	8,645	9,371
Bank charges	30,240	4,704	34,944	-	12,219	1,600	13,819	48,763	41,720
Advertising and promotion	44,706	7,196	51,902	-	18,065	2,365	20,430	72,332	66,608
Training, meetings and dues	2,260	616	2,876	3,920	642	116	4,678	7,554	2,948
Outside services	-	-	-	20,172	-	-	20,172	20,172	18,287
Model fees	12,127	-	12,127	-	-	-	-	12,127	8,742
Scholarships	5,715	-	5,715	-	-	-	-	5,715	4,235
Program activities and materials	73,764	21,506	95,270	-	-	-	-	95,270	73,849
Artists' commission and awards	-	106,417	106,417	-	-	-	-	106,417	82,722
Office supplies	8,569	2,336	10,905	2,062	2,434	441	4,937	15,842	13,028
Equipment maintenance	2,983	813	3,796	720	848	154	1,722	5,518	5,462
Information technology	13,396	3,652	17,048	3,232	3,805	690	7,727	24,775	16,173
Total functional expenses before depreciation	951,073	283,597	1,234,670	101,774	123,898	21,669	247,341	1,482,011	1,346,958
Depreciation	80,162	41,361	121,523	2,521	4,008	1,241	7,770	129,293	129,561
Total functional expenses	\$ 1,031,235	\$ 324,958	\$ 1,356,193	\$ 104,295	\$ 127,906	\$ 22,910	\$ 255,111	\$ 1,611,304	\$ 1,476,519

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Art Center, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 60,058	\$ 79,575
Items not requiring cash		
Depreciation	129,293	129,561
Realized and unrealized investment return	(8,652)	(1,269)
Change in donated rent receivable	27,830	29,500
Changes in operating assets and liabilities		
Accounts receivable	(45,661)	68,997
Accounts payable	7,639	(24,760)
Accrued liabilities and other	2,036	2,492
Refundable advance - Paycheck Protection Program	-	(94,025)
Deferred annual dues	(1,880)	45,664
	<u>170,663</u>	<u>235,735</u>
Cash flows from investing activities		
Purchase of property and equipment	(14,338)	(39,996)
Proceeds from sale of investments	59,769	-
Purchase of investments	(230,419)	(250,111)
	<u>(184,988)</u>	<u>(290,107)</u>
Net cash used by investing activities		
Change in cash and cash equivalents	(14,325)	(54,372)
Cash and cash equivalents - beginning of year	<u>1,820,123</u>	<u>1,874,495</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,805,798</u></u>	<u><u>\$ 1,820,123</u></u>

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

Note 1 – Summary Significant Accounting Policies

Nature of Organization

Birmingham Bloomfield Art Center, Inc. (the "Organization") is a nonprofit community cultural center chartered in 1957 in Birmingham, Michigan. The Organization connects people of all ages and abilities with visual arts education, exhibitions and other creative experiences.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Board designated net assets represent net assets without donor restrictions designated by the board as a reserve for working capital.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, highly liquid investments with maturities of three months or less when purchased are considered cash equivalents and recorded at cost, which approximates fair value.

Concentration of Credit Risk

The Organization maintains its cash balances at financial institutions located in Michigan. At June 30, 2023 the bank balance (without recognition of outstanding checks or deposits in transit) was \$1,805,978 of which \$500,000 was covered by Federal depository insurance and \$1,305,978 was uninsured.

Accounts Receivable

Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts related to trade accounts receivable at June 30, 2023 and 2022 was \$ 0.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions include the lines described on the statement of activities as contributions and grants. The Organization uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

Investments

Investments are stated at fair values based upon quoted market prices using prevailing financial market information as of June 30, 2023 and 2022. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the market value of the investments during the year.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized.

Furniture and equipment are stated at cost or fair market value at the date received. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Revenue and Revenue Recognition

Revenue is recognized when earned. Tuition and classroom fees as well as sales are recognized when the performance obligations are met. Fees received in advance of meeting the performance obligations are deferred to the applicable period in which the classes occur. Contributions are recognized when cash, securities or other assets, an unconditional pledge, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

In-Kind Donations

Contributed property and equipment are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Contributed services that create or enhance nonfinancial assets or that require specialized skills are recorded at their fair values in the period received. The Organization recognized contributed goods and materials of \$4,175 and contributed services of \$0 during the year ended June 30, 2023, and \$0 of contributed goods and materials and \$0 of contributed services during the year ended June 30, 2022.

Advertising Costs

Advertising and promotion costs are expensed as incurred. The total advertising and promotion costs charged to expense for the years ending June 30, 2023 and 2022 were \$72,332 and \$66,608, respectively.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and benefits, depreciation, occupancy, office expenses and information technology. Salaries and benefits, office expense, and information technology are allocated based on an estimate of where efforts are made, depreciation and occupancy are allocated based on a square footage basis.

Federal Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Summarized Comparative Information

The financial information presented for comparative purposes for the year ended June 30, 2022 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's 2022 financial statements, from which the summarized information was derived.

Adoption of New Accounting Standard

The Organization adopted FASB Topic 842, *Leases*, as of the beginning of the year ended June 30, 2023. This has been adopted using the modified retrospective approach. Adoption of this standard did not have a significant impact on the Organization's financial statements.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 31, 2024, which is the date the financial statements were available to be issued.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	June 30, 2023	June 30, 2022
Cash and cash equivalents	\$ 1,805,798	\$ 1,820,123
Investments	422,322	251,380
Receivables	104,227	58,566
	2,332,347	2,130,069
Less those unavailable for general expenditure within one year:		
Restricted by donor with purpose and/or time restrictions	(149,499)	(90,964)
Designated by board of directors	(75,000)	(75,000)
	(224,499)	(165,964)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,107,848	\$ 1,964,105

The Organization manages its liquid resources while focusing on investing excess cash in interest bearing savings accounts that maximize earnings potential balancing the amount of risk the Organization has decided can be tolerated. The Organization also focuses on fundraising efforts to ensure the Organization has adequate contributions and grants to cover the programs that are being conducted. The Organization prepares very detailed budgets and is active in monitoring costs. As discussed in note 5, the Organization maintains a line of credit that can be used in meeting cash needs. The Organization views this as a last resort option and did not have to use the line of credit during the years ended June 30, 2023 or June 30, 2022.

Note 3 – Investments and Fair Value Measurements

Accounting standards establish a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

The three levels of hierarchy are described below:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Association's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

From time to time, changes in valuation techniques may result in reclassification of an investment's assigned level within the hierarchy.

The assets 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 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023:

Mutual funds and unit investment trusts: Values at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements. The Organization's investments have all been valued using Level 1 inputs.

A summary of cost, fair market value, and unrealized gain or loss on investments at June 30, 2023 and 2022 are as follows:

	2023		
	Carrying Value	Fair Value	Unrealized Gain
Cash and money market	\$ 13,806	\$ 13,806	\$ -
Mutual funds	397,753	408,516	10,763
	\$ 411,559	\$ 422,322	\$ 10,763

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

	2022		
	Carrying Value	Fair Value	Unrealized Gain
Cash and money market	\$ 25,941	\$ 25,941	\$ -
Mutual funds	224,171	225,440	1,269
	\$ 250,112	\$ 251,381	\$ 1,269

The following schedule reconciles investment income (loss) as reported in the statement of activities with investment earnings.

	2023	2022
Interest and dividends	\$ 30,898	\$ 111
Realized gain (loss) on investments	(842)	-
Net unrealized gain (loss) on investments	9,494	1,269
Total investment income (loss)	39,550	1,380
Investment fees and expenses	(2,389)	-
Net investment income (loss)	\$ 37,161	\$ 1,380

Note 4 – Equipment and Leasehold Improvements

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	June 30, 2023	June 30, 2022	Estimate Useful Life
Leasehold improvements	\$ 3,824,073	\$ 3,822,238	10-40
Machinery and equipment	237,966	232,778	10
Furniture and fixtures	366,476	359,161	3-10
Work in progress	8,361	-	0
Software	4,880	4,880	5
Total cost	4,441,756	4,419,057	
Accumulated depreciation	2,875,696	2,746,402	
Net property and equipment	\$ 1,566,060	\$ 1,672,655	

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

Note 5 – Collections

The Organization has capitalized a sculpture created by a prominent local artist valued at \$20,000. The artwork's value is based upon an independent appraisal as of the date of accession.

Note 6 – Line-of-Credit

The Organization has an unsecured line-of-credit with a bank in the amount of \$200,000. At June 30, 2023, the Organization had \$0 outstanding on the line-of-credit.

Note 7 – Deferred Revenue

Deferred revenue represents payments received by the Organization for services that have not yet been performed, as well as grant advances. As of June 30, 2023, tuition of \$158,639 was collected for the summer semester of classes, art camp, fund raising, and exhibits held in July and August 2023, \$8,241 was collected for gift certificates, and \$10,750 was collected for sponsorships. For the year ended June 30, 2022, tuition of \$161,595 was collected for the summer semester of classes, art camp, fund raising, and exhibits held in July and August 2022, \$7,165 was collected for gift certificates and \$10,750 was collected for sponsorships.

Note 8 – Lease Commitments

The Organization occupies facilities leased from the City of Birmingham under an amended lease agreement dated November 10, 2010, expiring December 31, 2050. Under terms of the lease, annual rent is \$1, and the Organization is responsible for insurance, repairs, and maintenance. The term of the lease can be extended one year for each \$100,000 of capital improvements. The Organization has recorded donated rent receivable for the estimated net present value of the donated rent through December 31, 2050. This balance is \$367,392 at June 30, 2023.

For the years ended June 30, 2023 and 2022 the Organization recognized in-kind contribution rent revenue of \$28,170 and \$26,500, respectively and in-kind rent expense of \$56,000 for each of the years.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

Note 9 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at June 30:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Subject to expenditure for specified purpose:		
Scholarships	\$ 82,652	\$ 84,566
Exhibition awards	1,000	2,000
Michigan Architectural Foundation	5,000	-
Michigan Arts and Culture Council	8,847	4,398
	<u>97,499</u>	<u>90,964</u>
Subject to the passage of time:		
Operations	37,500	-
Donated rent receivable	367,398	395,228
	<u>404,898</u>	<u>395,228</u>
Subject to purpose and passage of time:		
The Kresge Foundation - Detroit Arts support	52,000	-
	<u>52,000</u>	<u>-</u>
 Total net assets with donor restrictions	 <u>\$ 554,397</u>	 <u>\$ 486,192</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Satisfaction of purpose restrictions		
Scholarships	\$ 4,089	\$ 4,235
Exhibition awards	1,000	1,000
Kresge	26,000	25,000
Erb	18,750	-
Jerome Madig Memorial Award for Photography	-	100
Michigan Council for Arts and Cultural Affairs	4,398	8,917
	<u>54,237</u>	<u>39,252</u>
Expiration of time restrictions		
Donated rent receivable	27,830	29,500
	<u>27,830</u>	<u>29,500</u>
	<u>\$ 82,067</u>	<u>\$ 68,752</u>

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2023
(With Summarized Comparative Information for June 30, 2022)

Note 10 – Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended were:

<u>Category</u>	<u>2023 Revenue recognized</u>	<u>2022 Revenue recognized</u>	<u>Utilization in programs/activities</u>	<u>Donor restrictions</u>	<u>Valuation techniques and inputs</u>
Building	\$ 28,170	\$ 26,500	General and administrative	No associated donor restrictions	In valuing the contributed building, the Organization estimated the fair value based on an appraisal of the building.
Volunteer services	-	-	Art center programs	No associated donor restrictions	Criteria for recording revenue are not met; there were approximately 40 volunteers for the year ended June 30, 2023 and 2022.
Lodging	4,175	-	Art center programs	No associated donor restrictions	Organization estimated fair value on the basis of values that would be received for selling similar products.
	<u>\$ 32,345</u>	<u>\$ 26,500</u>			

Note 11 – Charitable Endowment Fund

The Organization participates in an endowment program sponsored by the Community Foundation for Southeast Michigan (the “Community Foundation”) (an unrelated nonprofit foundation). Certain funds donated by outside donors for the benefit of the Organization are held and managed by the Community Foundation. The fair market value of these funds was \$33,062 at June 30, 2023 and \$30,270 at June 30, 2022. Earnings are available for distribution to the Organization for operations at the discretion of the Community Foundation; therefore, interest and principal balances are not reflected in the financial statements unless distributed. The Community Foundation has explicit variance power over the planned gifts in this endowment.

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Note 12 – Revenue from Contracts with Customer

The following summarizes revenue by type for the years ended June 30, 2023 and 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Contract revenue recognized at a point in time		
Gallery and exhibition sales	<u>\$ 148,767</u>	<u>\$ 126,826</u>
Contract revenue recognized over time		
Class fees	<u>980,937</u>	<u>878,416</u>
Contributions and other revenue		
Contributions and grants	286,111	225,974
In-kind rent donations	32,345	26,500
Membership fees	52,437	52,964
Fundraising events	117,148	97,294
Investment return	37,161	1,380
Other income	16,456	146,740
	<u>541,658</u>	<u>550,852</u>
Total revenues	<u>\$ 1,671,362</u>	<u>\$ 1,556,094</u>

Gallery and exhibition sales

Revenue from gallery and exhibition sales is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for engaging in sales of artwork and jewelry to its customers. Revenue is recognized as performance obligations are satisfied, which is at a point in time. As a result, accounts receivable (contract asset) are recorded for any amount for which the Organization has a right to invoice but the goods and services have not yet been delivered.

Class fees

Revenue earned over time consists of class fees for art classes. Generally, art classes must be prepaid, and revenues are recognized in the fiscal year in which the class takes place; amounts received for paid classes to be held in the subsequent fiscal year are deferred. For purposes of the revenue recognition, the classes are typically treated as events that last until the end of the semester and the performance obligation is typically satisfied as classes are attended over the semester. There is no variable consideration since generally refunds are not given to those that do not attend and there is no constraint.

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The following summarizes contract assets and contract liabilities as of:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>July 1, 2021</u>
Trade accounts receivable	<u>\$ 608</u>	<u>\$ 2,318</u>	<u>\$ 1,332</u>
Deferred revenue	<u>\$ 177,630</u>	<u>\$ 179,510</u>	<u>\$ 133,846</u>

There were no changes in judgments related to revenue recognition for the years ended June 30, 2023 and 2022.