

Birmingham Bloomfield Art Center, Inc.

Financial Statements

June 30, 2024

**(With Summarized Comparative
Information for 2023)**



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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, 2024, 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, 2024, 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, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, 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 27, 2025

Birmingham Bloomfield Art Center, Inc.

Statement of Financial Position

June 30, 2024

(With Summarized Comparative Information for June 30, 2023)

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 1,869,201	\$ 1,805,798
Receivables	81,567	104,227
Donated rent receivable	56,000	56,000
Investments	473,661	422,322
Total current assets	2,480,429	2,388,347
Donated rent receivable - net of current portion	285,137	311,392
Equipment and leasehold improvements - net	1,530,379	1,566,060
Collections	20,000	20,000
Total assets	\$ 4,315,945	\$ 4,285,799
Liabilities and net assets		
Current liabilities		
Trade accounts payable	\$ 60,766	\$ 49,518
Accrued liabilities and other	10,811	10,432
Deferred revenue	179,371	177,630
Total current liabilities	250,948	237,580
Net assets		
Without donor restrictions		
Undesignated	3,473,015	3,418,822
Board designated	75,000	75,000
Total without donor restrictions	3,548,015	3,493,822
With donor restrictions		
Purpose restrictions	108,543	97,505
Time-restricted for future periods	359,887	404,892
Purpose and passage of time	48,552	52,000
Total with donor restrictions	516,982	554,397
Total net assets	4,064,997	4,048,219
Total liabilities and net assets	\$ 4,315,945	\$ 4,285,799

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Art Center, Inc.
Statement of Activities
For the Year Ended June 30, 2024
(With Summarized Comparative Information for June 30, 2023)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2024</u>	<u>2023</u>
Revenue and support				
Tuition and classroom fees	\$ 1,032,603	\$ -	\$ 1,032,603	\$ 980,937
Gallery and exhibition sales	156,857	-	156,857	148,767
Contributions and grants	156,213	46,045	202,258	286,111
Contributions of nonfinancial assets	35,449	-	35,449	32,345
Membership fees	53,095	-	53,095	52,437
Fundraising events	128,541	-	128,541	117,148
Investment return	63,746	-	63,746	37,161
Other income	22,030	-	22,030	16,456
	<u>1,648,534</u>	<u>46,045</u>	<u>1,694,579</u>	<u>1,671,362</u>
Net assets released from restriction	83,460	(83,460)	-	-
	<u>1,731,994</u>	<u>(37,415)</u>	<u>1,694,579</u>	<u>1,671,362</u>
Expenses				
Program services				
Education	1,077,897	-	1,077,897	1,031,235
Gallery and exhibition sales	326,447	-	326,447	324,958
	<u>1,404,344</u>	<u>-</u>	<u>1,404,344</u>	<u>1,356,193</u>
Support services				
Management and general	113,654	-	113,654	104,295
Fundraising	134,672	-	134,672	127,906
Membership development	25,131	-	25,131	22,910
	<u>273,457</u>	<u>-</u>	<u>273,457</u>	<u>255,111</u>
	<u>1,677,801</u>	<u>-</u>	<u>1,677,801</u>	<u>1,611,304</u>
Change in net assets	54,193	(37,415)	16,778	60,058
Net assets - beginning of year	3,493,822	554,397	4,048,219	3,988,161
Net assets - end of year	\$ 3,548,015	\$ 516,982	\$ 4,064,997	\$ 4,048,219

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Arts Center, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2024
(With Summarized Comparative Information for June 30, 2023)

	Program Services			Support Services				2024	2023
	Education	Gallery and Exhibition Sales	Total Program Services	Management and General	Fundraising	Membership Development	Total Support Services		
Salaries and wages	\$ 278,074	\$ 75,810	\$ 353,884	\$ 67,085	\$ 78,995	\$ 14,313	\$ 160,393	\$ 514,277	\$ 467,013
Employee benefits	5,336	1,455	6,791	1,287	1,516	275	3,078	9,869	6,952
Payroll taxes	23,123	6,304	29,427	5,578	6,569	1,190	13,337	42,764	39,006
Instructor fees	369,166	-	369,166	-	-	-	-	369,166	360,018
Occupancy	76,748	39,599	116,347	2,414	3,837	1,188	7,439	123,786	129,892
In-kind rent expense	34,720	17,914	52,634	1,092	1,736	538	3,366	56,000	56,000
Telephone	4,040	1,101	5,141	975	1,148	208	2,331	7,472	8,645
Bank charges	36,123	5,611	41,734	-	11,333	1,836	13,169	54,903	48,763
Advertising and promotion	49,765	7,867	57,632	-	15,613	2,530	18,143	75,775	72,332
Training, meetings and dues	3,084	841	3,925	3,659	876	159	4,694	8,619	7,554
Outside services	-	-	-	21,343	-	-	21,343	21,343	20,172
Model fees	11,699	-	11,699	-	-	-	-	11,699	12,127
Scholarships	3,225	-	3,225	-	-	-	-	3,225	5,715
Program activities and materials	68,854	16,144	84,998	-	-	-	-	84,998	95,270
Artists' commission and awards	-	102,657	102,657	-	-	-	-	102,657	106,417
Office supplies	8,878	2,420	11,298	2,190	2,522	457	5,169	16,467	15,842
Equipment maintenance	2,999	817	3,816	723	852	154	1,729	5,545	5,518
Information technology	19,534	5,325	24,859	4,712	5,549	1,005	11,266	36,125	24,775
Total functional expenses before depreciation	995,368	283,865	1,279,233	111,058	130,546	23,853	265,457	1,544,690	1,482,011
Depreciation	82,529	42,582	125,111	2,596	4,126	1,278	8,000	133,111	129,293
Total functional expenses	\$ 1,077,897	\$ 326,447	\$ 1,404,344	\$ 113,654	\$ 134,672	\$ 25,131	\$ 273,457	\$ 1,677,801	\$ 1,611,304

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Art Center, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2024
(With Summarized Comparative Information for June 30, 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 16,778	\$ 60,058
Items not requiring cash		
Depreciation	133,111	129,293
Realized and unrealized investment return	(22,654)	(8,652)
Change in donated rent receivable	26,255	27,830
Changes in operating assets and liabilities		
Accounts receivable	22,660	(45,661)
Accounts payable	11,248	7,639
Accrued liabilities and other	379	2,036
Deferred annual dues	1,741	(1,880)
	<u>189,518</u>	<u>170,663</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(97,430)	(14,338)
Proceeds from sale of investments	9,315	59,769
Purchase of investments	(38,000)	(230,419)
	<u>(126,115)</u>	<u>(184,988)</u>
Net cash used by investing activities		
Change in cash and cash equivalents	63,403	(14,325)
Cash and cash equivalents - beginning of year	1,805,798	1,820,123
Cash and cash equivalents - end of year	<u>\$ 1,869,201</u>	<u>\$ 1,805,798</u>

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2024
(With Summarized Comparative Information for June 30, 2023)

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, 2024 the bank balance (without recognition of outstanding checks or deposits in transit) was \$1,869,565 of which \$540,435 was covered by Federal depository insurance and \$1,344,718 was uninsured.

Accounts Receivable

Accounts receivable are stated at invoice amounts. An allowance for credit losses 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 credit losses related to trade accounts receivable at June 30, 2024 and 2023 was \$0.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2024
(With Summarized Comparative Information for June 30, 2023)

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, 2024 and 2023. 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 \$5,704 and contributed services of \$0 during the year ended June 30, 2024, and \$4,175 of contributed goods and materials and \$0 of contributed services during the year ended June 30, 2023.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2024
(With Summarized Comparative Information for June 30, 2023)

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, 2024 and 2023 were \$75,775 and \$72,332, respectively.

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, 2023 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 2023 financial statements, from which the summarized information was derived.

Adoption of New Accounting Standard

The Organization adopted FASB Topic 326, *Financial Instruments – Credit Losses*, as of the beginning of the year ended June 30, 2024. 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 27, 2025, which is the date the financial statements were available to be issued.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2024
(With Summarized Comparative Information for June 30, 2023)

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, 2024	June 30, 2023
Cash and cash equivalents	\$ 1,869,201	\$ 1,805,798
Investments	473,661	422,322
Receivables	81,567	104,227
Financial assets at year end	2,424,429	2,332,347
Less those unavailable for general expenditure within one year:		
Restricted by donor with purpose and/or time restrictions	(157,095)	(149,505)
Designated by board of directors	(75,000)	(75,000)
	(232,095)	(224,505)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,192,334	\$ 2,107,842

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 6, 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, 2024 or June 30, 2023.

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, 2024

(With Summarized Comparative Information for June 30, 2023)

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, 2024:

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, 2024 and 2023 are as follows:

	2024		
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Cash and money market	\$ 11,187	\$ 11,187	\$ -
Mutual funds	<u>434,961</u>	<u>462,474</u>	<u>27,513</u>
	<u>\$ 446,148</u>	<u>\$ 473,661</u>	<u>\$ 27,513</u>
	2023		
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Cash and money market	\$ 13,806	\$ 13,806	\$ -
Mutual funds	<u>397,753</u>	<u>408,516</u>	<u>10,763</u>
	<u>\$ 411,559</u>	<u>\$ 422,322</u>	<u>\$ 10,763</u>

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2024
(With Summarized Comparative Information for June 30, 2023)

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

	2024	2023
Interest and dividends	\$ 46,628	\$ 30,898
Realized gain (loss) on investments	5,904	(842)
Net unrealized gain on investments	16,750	9,494
Total investment income	69,282	39,550
Investment fees and expenses	(5,536)	(2,389)
Net investment income	<u>\$ 63,746</u>	<u>\$ 37,161</u>

Note 4 – Equipment and Leasehold Improvements

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

	June 30, 2024	June 30, 2023	Estimate Useful Life
Leasehold improvements	3,891,314	3,824,073	10-40
Machinery and equipment	250,968	237,966	10
Furniture and fixtures	382,974	366,476	3-10
Work in progress	9,094	8,361	0
Software	4,880	4,880	5
Total cost	<u>4,539,230</u>	4,441,756	
Accumulated depreciation	<u>3,008,851</u>	2,875,696	
Net property and equipment	<u>\$ 1,530,379</u>	<u>\$ 1,566,060</u>	

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, 2024, 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, 2024, tuition of \$159,705 was collected for the summer semester of classes, art camp, fund raising, and exhibits held in July and August 2024, \$8,916 was collected for gift certificates, and \$10,750 was collected for sponsorships. For the year ended 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.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2024
(With Summarized Comparative Information for June 30, 2023)

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 \$341,137 at June 30, 2024.

For the years ended June 30, 2024 and 2023 the Organization recognized in-kind contribution rent revenue of \$29,745 and \$28,170, respectively and in-kind rent expense of \$56,000 for each of the years.

Note 9 – Net Assets With Donor Restrictions

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

	June 30, 2024	June 30, 2023
Subject to expenditure for specified purpose:		
Scholarships	\$ 89,696	\$ 82,652
Exhibition awards	-	1,000
Michigan Architectural Foundation	5,000	5,000
Michigan Arts and Culture Council	13,847	8,853
	108,543	97,505
Subject to the passage of time:		
Operations	18,750	37,500
Donated rent receivable	341,137	367,392
	359,887	404,892
Subject to purpose and passage of time:		
The Kresge Foundation - Detroit Arts support	26,000	52,000
Community Foundation for Southeast Michigan	22,552	-
	48,552	52,000
Total net assets with donor restrictions	\$ 516,982	\$ 554,397

Birmingham Bloomfield Art Center, Inc.

Notes to Financial Statements

June 30, 2024

(With Summarized Comparative Information for June 30, 2023)

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, 2024 and 2023:

	June 30, 2024	June 30, 2023
Satisfaction of purpose restrictions		
Scholarships	\$ 2,608	\$ 4,089
Exhibition awards	1,000	1,000
Kresge	26,000	26,000
Erb	18,750	18,750
Michigan Council for Arts and Cultural Affairs	8,847	4,398
	57,205	54,237
 Expiration of time restrictions		
Donated rent receivable	26,255	27,830
	\$ 83,460	\$ 82,067

Note 10 – Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended were:

Category	2024 Revenue recognized	2023 Revenue recognized	Utilization in programs/activities	Donor restrictions	Valuation techniques and inputs
Building	\$ 29,745	\$ 28,170	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, 2024 and 2023.
Lodging	5,704	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.
	\$ 35,449	\$ 32,345			

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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 \$37,201 at June 30, 2024 and \$33,062 at June 30, 2023. 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.

Note 12 – Revenue from Contracts with Customer

The following summarizes revenue by type for the years ended June 30, 2024 and 2023:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Contract revenue recognized at a point in time		
Gallery and exhibition sales	<u>\$ 156,857</u>	<u>\$ 148,767</u>
Contract revenue recognized over time		
Class fees	<u>1,032,603</u>	<u>980,937</u>
Contributions and other revenue		
Contributions and grants	202,258	286,111
In-kind rent donations	35,449	32,345
Membership fees	53,095	52,437
Fundraising events	128,541	117,148
Investment return	63,746	37,161
Other income	22,030	16,456
	<u>505,119</u>	<u>541,658</u>
Total revenues	<u>\$ 1,694,579</u>	<u>\$ 1,671,362</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, 2024</u>	<u>June 30, 2023</u>	<u>July 01, 2022</u>
Trade accounts receivable	<u>\$ 3,208</u>	<u>\$ 608</u>	<u>\$ 2,318</u>
Deferred revenue	<u>\$ 179,371</u>	<u>\$ 177,630</u>	<u>\$ 179,510</u>

There were no changes in judgments related to revenue recognition for the years ended June 30, 2024 and 2023.