

Birmingham Bloomfield Art Center, Inc.

Financial Statements

June 30, 2021

**(With Summarized Comparative
Information for 2020)**



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Independent Auditors' Report

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

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Birmingham Bloomfield Art Center, Inc., as of June 30, 2021, 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.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, Birmingham Bloomfield Art Center, Inc. changed its method of accounting for revenue recognition as required by the provisions of FASB Accounting Standards Update 2014-09 *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Birmingham Bloomfield Art Center, Inc. June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2020, 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 10, 2022

Birmingham Bloomfield Art Center, Inc.

Statement of Financial Position

June 30, 2021

(With Summarized Comparative Information for June 30, 2020)

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,874,495	\$ 1,865,018
Receivables	127,563	65,031
Donated rent receivable	56,000	56,000
Prepaid expenses and other current assets	-	1,500
Total current assets	2,058,058	1,987,549
Donated rent receivable - net of current portion	368,722	399,992
Equipment and leasehold improvements - net	1,762,220	1,821,887
Collections	20,000	20,000
Total assets	\$ 4,209,000	\$ 4,229,428
Liabilities and net assets		
Current liabilities		
Trade accounts payable	\$ 66,639	\$ 102,712
Accrued liabilities and other	5,904	22,020
Refundable advance - Paycheck Protection Program	94,025	94,025
Deferred revenue	133,846	52,354
Total current liabilities	300,414	271,111
Net assets		
Without donor restrictions		
Undesignated	3,286,290	3,275,569
Board designated	75,000	75,000
Total without donor restrictions	3,361,290	3,350,569
With donor restrictions		
Purpose restrictions	97,574	88,756
Time-restricted for future periods	424,722	468,992
Purpose and passage of time	25,000	50,000
Total with donor restrictions	547,296	607,748
Total net assets	3,908,586	3,958,317
Total liabilities and net assets	\$ 4,209,000	\$ 4,229,428

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Art Center, Inc.
Statement of Activities
For the Year Ended June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Revenue and support				
Tuition and classroom fees	\$ 440,981	\$ -	\$ 440,981	688,524
Gallery and exhibition sales	199,364	-	199,364	116,320
Contributions and grants	303,127	13,585	316,712	286,561
In-kind donations	1,393	-	1,393	1,414
In-kind rent donations	24,730	-	24,730	22,860
Membership fees	32,592	-	32,592	38,921
Fundraising events	-	-	-	56,285
Other income	206,507	-	206,507	31,011
Total revenue and support	1,208,694	13,585	1,222,279	1,241,896
Net assets released from restriction	74,037	(74,037)	-	-
Total revenue and support and net assets released	1,282,731	(60,452)	1,222,279	1,241,896
Expenses				
Program services				
Education	770,349	-	770,349	885,478
Gallery and exhibition sales	278,690	-	278,690	244,973
Total program services	1,049,039	-	1,049,039	1,130,451
Support services				
Management and general	112,018	-	112,018	101,085
Fundraising	90,555	-	90,555	106,198
Membership development	20,398	-	20,398	12,515
Total support services	222,971	-	222,971	219,798
Total expenses	1,272,010	-	1,272,010	1,350,249
Change in net assets	10,721	(60,452)	(49,731)	(108,353)
Net assets - beginning of year	3,350,569	607,748	3,958,317	4,066,670
Net assets - end of year	\$ 3,361,290	\$ 547,296	\$ 3,908,586	\$ 3,958,317

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Arts Center, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

	Program Services			Support Services				2021	2020
	Education	Gallery and Exhibition Sales	Total Program Services	Management and General	Fundraising	Membership Development	Total Support Services		
Salaries and wages	\$ 228,569	\$ 56,348	\$ 284,917	\$ 53,533	\$ 62,543	\$ 11,249	\$ 127,325	\$ 412,242	\$ 412,754
Employee benefits	3,814	940	4,754	893	1,044	188	2,125	6,879	5,154
Payroll taxes	17,658	4,353	22,011	4,136	4,832	869	9,837	31,848	32,396
Instructor fees	208,534	-	208,534	-	-	-	-	208,534	276,456
Occupancy	60,058	30,988	91,046	1,889	3,003	930	5,822	96,868	105,780
In-kind rent expense	34,720	17,914	52,634	1,092	1,736	538	3,366	56,000	56,000
Telephone	5,243	1,293	6,536	1,228	1,435	258	2,921	9,457	7,032
Bank charges	20,149	3,597	23,746	-	1,755	1,127	2,882	26,628	31,999
Advertising and promotion	53,860	9,832	63,692	-	4,692	3,012	7,704	71,396	72,062
Training, meetings and dues	-	-	-	3,398	-	-	3,398	3,398	1,104
Outside services	-	-	-	16,817	40	-	16,857	16,857	17,138
Model fees	6,324	-	6,324	-	-	-	-	6,324	10,118
Scholarships	1,267	-	1,267	-	-	-	-	1,267	5,937
Program activities and materials	29,712	16,260	45,972	-	-	-	-	45,972	64,491
Artists' commission and awards	-	90,704	90,704	-	-	-	-	90,704	65,467
Office supplies	6,979	1,721	8,700	1,630	1,910	343	3,883	12,583	18,507
Equipment maintenance	2,856	704	3,560	669	781	141	1,591	5,151	5,270
Bad debt	-	-	-	21,840	-	-	21,840	21,840	-
Information technology	10,075	2,484	12,559	2,360	2,757	496	5,613	18,172	13,523
Cost of direct benefit to donors	-	-	-	-	-	-	-	-	21,223
Total functional expenses before depreciation	689,818	237,138	926,956	109,485	86,528	19,151	215,164	1,142,120	1,222,411
Depreciation	80,531	41,552	122,083	2,533	4,027	1,247	7,807	129,890	127,838
Total functional expenses	\$ 770,349	\$ 278,690	\$ 1,049,039	\$ 112,018	\$ 90,555	\$ 20,398	\$ 222,971	\$ 1,272,010	\$ 1,350,249

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Art Center, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (49,731)	\$ (108,353)
Items not requiring cash		
Depreciation	129,890	127,838
Bad debt	21,840	-
Change in donated rent receivable	31,270	33,144
Changes in operating assets and liabilities		
Accounts receivable	(84,372)	(14,098)
Prepaid expenses and other	1,500	(462)
Accounts payable	(39,814)	49,390
Accrued liabilities and other	(16,116)	(22,847)
Refundable advance - Paycheck Protection Program	-	94,025
Deferred annual dues	81,492	(108,686)
Net cash provided by operating activities	75,959	49,951
Cash flows from investing activities		
Purchase of property and equipment	(66,482)	(74,853)
Change in cash and cash equivalents	9,477	(24,902)
Cash and cash equivalents - beginning of year	1,865,018	1,889,920
Cash and cash equivalents - end of year	\$ 1,874,495	\$ 1,865,018

See Accompanying Notes to the Financial Statements

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

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, 2021 the bank balance (without recognition of outstanding checks or deposits in transit) was \$1,877,880 of which \$500,000 was covered by Federal depository insurance and \$1,377,880 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, 2021 and 2020 was \$ 0.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

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.

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.

Paycheck Protection Program (PPP)

The Organization accounts for the PPP loan as a conditional contribution under *FASB ASC 958-605 Not-for-Profit Entities: Revenue Recognition* by analogizing *FASB 958-605 Not-for-Profit Entities: Revenue Recognition* as a conditional contribution. The loan is recorded as a refundable advance until the conditions are met for revenue recognition.

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 \$700 and contributed services of \$693 during the year ended June 30, 2021, and \$0 of contributed goods and materials and \$1,414 of contributed services during the year ended June 30, 2020.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

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, 2021 and 2020 were \$71,396 and \$72,062, 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, 2020 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 2020 financial statements, from which the summarized information was derived.

Reclassification

In the 2020 financial statements insurance expense has been reclassified to occupancy expense to conform to the 2021 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 10, 2022, which is the date the financial statements were available to be issued.

Change in Accounting Principle

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to clarify the principles of recognizing revenue, create common revenue recognition guidance, and improve disclosures. Accordingly, the Organization has elected to implement this standard using a modified retrospective adjustment of the prior year financial statements. Net assets did not change as a result of adoption of the new standard.

Upcoming Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The update increases the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing essential information about leasing transactions. Implementation of this standard has been delayed and will be adopted by the Organization for the year ended June 30, 2023.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for nonprofit organizations. The ASU requires nonprofit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires footnote disclosures related to the nonfinancial assets. This standard will be applicable for the fiscal year ending June 30, 2022. Management is evaluating the impact of the guidance on the Organization's financial statements.

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, 2021	June 30, 2020
Cash and cash equivalents	\$ 1,874,495	\$ 1,865,018
Receivables	127,563	65,031
Financial assets at year end	2,002,058	1,930,049
Less those unavailable for general expenditure within one year:		
Restricted by donor with purpose and/or time restrictions	(122,574)	(138,756)
Designated by board of directors	(75,000)	(75,000)
	(197,574)	(213,756)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,804,484	\$ 1,716,293

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, 2021 or June 30, 2020.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

Note 3 – Equipment and Leasehold Improvements

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

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	Estimate Useful Life
Leasehold improvements	\$ 3,816,683	\$ 3,798,085	10-40
Machinery and equipment	202,366	202,366	10
Furniture and fixtures	355,133	303,508	3-10
Software	4,880	4,880	5
Total cost	<u>4,379,062</u>	<u>4,308,839</u>	
Accumulated depreciation	<u>2,616,842</u>	<u>2,486,952</u>	
Net property and equipment	<u>\$ 1,762,220</u>	<u>\$ 1,821,887</u>	

Note 4 – 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 5 – Line-of-Credit

The Organization has an unsecured line-of-credit with a bank in the amount of \$200,000. At June 30, 2021, the Organization had \$0 outstanding on the line-of-credit.

Note 6 – Refundable Advance – Paycheck Protection Program

During the fiscal year, the Organization received a conditional contribution in the form of a Paycheck Protection Program 2 (PPP2) Loan of \$94,025 funded by the Federal government through the Small Business Administration. The PPP2 loan and any accrued interest are forgivable after twenty-four weeks as long as the borrower meets certain criteria. The loan proceeds must be used for eligible purposes, including payroll, health insurance, retirement plans, state and local taxes assessed on employee compensation, mortgage interest, rent, and utilities. The criteria also reduces loan forgiveness for certain reductions in salaries or reductions in FTEs. The conditions also reduce loan forgiveness for certain reductions in salaries or reductions in FTEs. As such, the Organization expects to qualify for complete forgiveness of the amount received.

The Organization's PPP(1) loan in the amount of \$94,025 was forgiven by the SBA in March 2021. This loan was recognized as contribution revenue for the year ended June 30, 2021 which is the year the conditions were met to record as a contribution.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

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, 2021, tuition of \$118,464 was collected for the summer semester of classes, art camp, fund raising, and exhibits held in July and August 2021, \$5,382 was collected for gift certificates, and \$10,000 was collected for sponsorships. For the year ended June 30, 2020, tuition of \$41,261 was collected for the summer semester of classes, art camp, fund raising, and exhibits held in July and August 2020, \$8,593 was collected for gift certificates and \$2,500 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 \$424,722 at June 30, 2021.

For the years ended June 30, 2021 and 2020 the Organization recognized in-kind contribution rent revenue of \$24,730 and \$22,860, 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:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Subject to expenditure for specified purpose:		
Scholarships	\$ 85,551	\$ 82,156
Exhibition awards	3,000	4,000
The Kresge Foundation - COVID support	-	2,500
Memorial fund	100	100
Michigan Council for Arts and Cultural Affairs	8,923	-
	<u>97,574</u>	<u>88,756</u>
Subject to the passage of time:		
Operations	-	13,000
Donated rent receivable	424,722	455,992
	<u>424,722</u>	<u>468,992</u>
Subject to purpose and passage of time:		
The Kresge Foundation - Detroit Arts support	<u>25,000</u>	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 547,296</u>	<u>\$ 607,748</u>

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
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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, 2021 and 2020:

	June 30, 2021	June 30, 2020
Satisfaction of purpose restrictions		
Scholarships	\$ 1,267	\$ 2,985
DeRoy Fund	10,000	-
Exhibition awards	1,000	1,250
Kresge	27,500	-
Non-profit Finance Fund	-	23,930
Village Club Foundation	3,000	-
Michigan Council for Arts and Cultural Affairs	-	10,826
	42,767	38,991
 Expiration of time restrictions		
Donated rent receivable	31,270	33,146
	\$ 74,037	\$ 72,137

Note 10 – Contributed Services

The Organization receives donated services from a variety of unpaid volunteers who make significant contributions of their time in conjunction with various programs. No amounts have been recognized in the accompanying statement of activities and changes in net assets since these services do not meet the criteria for recognition as contributed services.

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 \$34,345 at June 30, 2021. 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.

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

Note 12 - Revenue from Contracts with Customers

The following summarizes revenue by type for the years ended June 30, 2021 and 2020:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Contract revenue recognized at a point in time		
Gallery and exhibition sales	<u>\$ 199,364</u>	<u>\$ 116,320</u>
Contract revenue recognized over time		
Class fees	<u>440,981</u>	<u>688,524</u>
Contributions and other revenue		
Contributions and grants	316,712	286,561
In-kind donations	1,393	1,414
In-kind rent donations	24,730	22,860
Membership fees	32,592	38,921
Fundraising events	-	56,285
Other income	<u>206,507</u>	<u>31,011</u>
	<u>581,934</u>	<u>437,052</u>
Total revenues	<u>\$ 1,222,279</u>	<u>\$ 1,241,896</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.

The following summarizes contract assets and contract liabilities as of:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>July 1, 2019</u>
Trade accounts receivable	<u>\$ 1,332</u>	<u>\$ 18,750</u>	<u>\$ 21,038</u>
Deferred revenue	<u>\$ 133,846</u>	<u>\$ 52,354</u>	<u>\$ 161,040</u>

Birmingham Bloomfield Art Center, Inc.
Notes to Financial Statements
June 30, 2021
(With Summarized Comparative Information for June 30, 2020)

There were no changes in judgments related to revenue recognition for the years ended June 30, 2021 and 2020.

Note 13 – Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared a pandemic due to the outbreak of a respiratory disease known as COVID-19. In addition, multiple jurisdictions in the U.S., including Michigan, have declared a state of emergency and issued shelter-in-place orders. It is anticipated that these impacts will continue for some time. During this time the Organization has continued its commitment to providing the region with arts exploration through virtual camps, children’s art activity kits sent via mail, virtual exhibitions and weekly free art challenges. The Organization reopened its doors in mid-September with reduced capacity for adults and is maintaining virtual youth programs due to state restrictions. The Organization continues to monitor the situation and currently, it is not possible to estimate the extent of any potential losses. Further, the Organization has had to cancel classes and events, which has impacted revenue streams. As described in note 6, the Organization has obtained an SBA Paycheck Protection Program Loan to aid in the cash flow impact of the pandemic.