

**Birmingham Bloomfield Art Center, Inc.**

**Financial Statements**

**June 30, 2022**

**(With Summarized Comparative  
Information for 2021)**



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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, 2022, 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, 2022, 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, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan  
February 1, 2023

# Birmingham Bloomfield Art Center, Inc.

## Statement of Financial Position

June 30, 2022

(With Summarized Comparative Information for June 30, 2021)

	2022	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,820,123	\$ 1,874,495
Receivables	58,566	127,563
Donated rent receivable	56,000	56,000
Investments	251,380	-
Total current assets	2,186,069	2,058,058
Donated rent receivable - net of current portion	339,222	368,722
Equipment and leasehold improvements - net	1,672,655	1,762,220
Collections	20,000	20,000
<b>Total assets</b>	<b>\$ 4,217,946</b>	<b>\$ 4,209,000</b>
<b>Liabilities and net assets</b>		
Current liabilities		
Trade accounts payable	\$ 41,879	\$ 66,639
Accrued liabilities and other	8,396	5,904
Refundable advance - Paycheck Protection Program	-	94,025
Deferred revenue	179,510	133,846
Total current liabilities	229,785	300,414
Net assets		
Without donor restrictions		
Undesignated	3,426,969	3,286,290
Board designated	75,000	75,000
Total without donor restrictions	3,501,969	3,361,290
With donor restrictions		
Purpose restrictions	90,964	97,574
Time-restricted for future periods	395,228	424,722
Purpose and passage of time	-	25,000
Total with donor restrictions	486,192	547,296
Total net assets	3,988,161	3,908,586
<b>Total liabilities and net assets</b>	<b>\$ 4,217,946</b>	<b>\$ 4,209,000</b>

See Accompanying Notes to the Financial Statements

**Birmingham Bloomfield Art Center, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**  
**(With Summarized Comparative Information for June 30, 2021)**

	Without Donor Restrictions	With Donor Restrictions	2022	2021
<b>Revenue and support</b>				
Tuition and classroom fees	\$ 878,416	\$ -	\$ 878,416	440,981
Gallery and exhibition sales	126,826	-	126,826	199,364
Contributions and grants	218,326	7,648	225,974	316,712
Contributions of nonfinancial assets	26,500	-	26,500	26,123
Membership fees	52,964	-	52,964	32,592
Fundraising events	97,294	-	97,294	-
Investment return	1,269	-	1,269	-
Other income	146,851	-	146,851	206,507
<b>Total revenue and support</b>	<b>1,548,446</b>	<b>7,648</b>	<b>1,556,094</b>	<b>1,222,279</b>
Net assets released from restriction	68,752	(68,752)	-	-
<b>Total revenue and support and net assets released</b>	<b>1,617,198</b>	<b>(61,104)</b>	<b>1,556,094</b>	<b>1,222,279</b>
<b>Expenses</b>				
Program services				
Education	965,907	-	965,907	770,349
Gallery and exhibition sales	277,509	-	277,509	278,690
<b>Total program services</b>	<b>1,243,416</b>	<b>-</b>	<b>1,243,416</b>	<b>1,049,039</b>
Support services				
Management and general	94,045	-	94,045	112,018
Fundraising	118,699	-	118,699	90,555
Membership development	20,359	-	20,359	20,398
<b>Total support services</b>	<b>233,103</b>	<b>-</b>	<b>233,103</b>	<b>222,971</b>
<b>Total expenses</b>	<b>1,476,519</b>	<b>-</b>	<b>1,476,519</b>	<b>1,272,010</b>
<b>Change in net assets</b>	<b>140,679</b>	<b>(61,104)</b>	<b>79,575</b>	<b>(49,731)</b>
<b>Net assets - beginning of year</b>	<b>3,361,290</b>	<b>547,296</b>	<b>3,908,586</b>	<b>3,958,317</b>
<b>Net assets - end of year</b>	<b>\$ 3,501,969</b>	<b>\$ 486,192</b>	<b>\$ 3,988,161</b>	<b>\$ 3,908,586</b>

See Accompanying Notes to the Financial Statements

**Birmingham Bloomfield Arts Center, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**  
**(With Summarized Comparative Information for June 30, 2021)**

	Program Services			Support Services				2022	2021
	Education	Gallery and Exhibition Sales	Total Program Services	Management and General	Fundraising	Membership Development	Total Support Services		
Salaries and wages	\$ 248,612	\$ 62,323	\$ 310,935	\$ 56,400	\$ 65,501	\$ 11,583	\$ 133,484	\$ 444,419	\$ 412,242
Employee benefits	1,928	483	2,411	437	508	90	1,035	3,446	6,879
Payroll taxes	20,711	5,192	25,903	4,699	5,457	965	11,121	37,024	31,848
Instructor fees	356,535	-	356,535	-	-	-	-	356,535	208,534
Occupancy	65,958	34,032	99,990	2,074	3,298	1,021	6,393	106,383	96,868
In-kind rent expense	34,722	17,915	52,637	1,093	1,738	538	3,369	56,006	56,000
Telephone	5,243	1,314	6,557	1,189	1,381	244	2,814	9,371	9,457
Bank charges	24,405	3,623	28,028	-	12,236	1,456	13,692	41,720	26,628
Advertising and promotion	38,802	6,038	44,840	-	19,454	2,314	21,768	66,608	71,396
Training, meetings and dues	-	-	-	2,948	-	-	2,948	2,948	3,398
Outside services	-	-	-	18,287	-	-	18,287	18,287	16,857
Model fees	8,742	-	8,742	-	-	-	-	8,742	6,324
Scholarships	4,235	-	4,235	-	-	-	-	4,235	1,267
Program activities and materials	56,291	17,558	73,849	-	-	-	-	73,849	45,972
Artists' commission and awards	-	82,722	82,722	-	-	-	-	82,722	90,704
Office supplies	7,292	1,828	9,120	1,647	1,921	340	3,908	13,028	12,583
Equipment maintenance	3,056	766	3,822	693	805	142	1,640	5,462	5,151
Bad debt	-	-	-	-	-	-	-	-	21,840
Information technology	9,047	2,268	11,315	2,052	2,384	422	4,858	16,173	18,172
Total functional expenses before depreciation	885,579	236,062	1,121,641	91,519	114,683	19,115	225,317	1,346,958	1,142,120
Depreciation	80,328	41,447	121,775	2,526	4,016	1,244	7,786	129,561	129,890
Total functional expenses	\$ 965,907	\$ 277,509	\$ 1,243,416	\$ 94,045	\$ 118,699	\$ 20,359	\$ 233,103	\$ 1,476,519	\$ 1,272,010

See Accompanying Notes to the Financial Statements

**Birmingham Bloomfield Art Center, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**  
**(With Summarized Comparative Information for June 30, 2021)**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 79,575	\$ (49,731)
Items not requiring cash		
Depreciation	129,561	129,890
Bad debt	-	21,840
Change in donated rent receivable	29,500	31,270
Changes in operating assets and liabilities		
Accounts receivable	68,997	(84,372)
Prepaid expenses and other	-	1,500
Accounts payable	(24,760)	(39,814)
Accrued liabilities and other	2,492	(16,116)
Refundable advance - Paycheck Protection Program	(94,025)	-
Deferred annual dues	45,664	81,492
	<u>237,004</u>	<u>75,959</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(39,996)	(66,482)
Purchase of investments	(251,380)	-
	<u>(291,376)</u>	<u>(66,482)</u>
Net cash used by investing activities		
Change in cash and cash equivalents	(54,372)	9,477
Cash and cash equivalents - beginning of year	1,874,495	1,865,018
<b>Cash and cash equivalents - end of year</b>	<u>\$ 1,820,123</u>	<u>\$ 1,874,495</u>

See Accompanying Notes to the Financial Statements



**Birmingham Bloomfield Art Center, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(With Summarized Comparative Information for June 30, 2021)**

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**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, 2022 the bank balance (without recognition of outstanding checks or deposits in transit) was \$1,838,877 of which \$500,000 was covered by Federal depository insurance and \$1,338,877 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, 2022 and 2021 was \$ 0.

**Birmingham Bloomfield Art Center, Inc.**  
**Notes to Financial Statements**  
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**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, 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.

**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*. The loan is recorded as a refundable advance until the conditions are met for revenue recognition. The Organization's PPP(2) loan in the amount of \$94,025 was forgiven by the SBA in October 2021. This loan was recognized as contribution revenue for the year ended June 30, 2022 and is recorded as other income.

**Employee Retention Credit**

The Organization accounts for the Employee Retention Credit by analogizing *FASB 958-605 Not-for-Profit Entities: Revenue Recognition* as a conditional contribution. The conditions were met for the Organization to recognize \$32,492 and \$93,064 for the years ended June 30, 2022 and 2021 in contribution income related to the credit which is recorded as other income.

**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.

**Birmingham Bloomfield Art Center, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(With Summarized Comparative Information for June 30, 2021)**

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**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 \$0 and contributed services of \$0 during the year ended June 30, 2022, and \$1,393 of contributed goods and materials and \$0 of contributed services during the year ended June 30, 2021.

**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, 2022 and 2021 were \$66,608 and \$71,396, 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, 2021 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 2021 financial statements, from which the summarized information was derived.

**Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including February 1, 2023, which is the date the financial statements were available to be issued.

**Change in Accounting Principle**

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. Net assets did not change as a result of adoption of the new standard.

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

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**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.

**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:

	<b>June 30, 2022</b>	June 30, 2021
Cash and cash equivalents	<b>\$ 1,820,123</b>	\$ 1,874,495
Investments	<b>251,380</b>	-
Receivables	<b>58,566</b>	127,563
	<b>2,130,069</b>	2,002,058
Financial assets at year end		
Less those unavailable for general expenditure within one year:		
Restricted by donor with purpose and/or time restrictions	<b>(90,964)</b>	(122,574)
Designated by board of directors	<b>(75,000)</b>	(75,000)
	<b>(165,964)</b>	(197,574)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 1,964,105</b>	\$ 1,804,484

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, 2022 or June 30, 2021.

**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.

**Birmingham Bloomfield Art Center, Inc.**  
**Notes to Financial Statements**  
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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.

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, 2022:

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 are as follows:

	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

As of June 30, 2022, \$112 in dividend income has been recognized.

**Birmingham Bloomfield Art Center, Inc.**  
**Notes to Financial Statements**  
**June 30, 2022**  
**(With Summarized Comparative Information for June 30, 2021)**

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**Note 4 – Equipment and Leasehold Improvements**

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

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Estimate Useful Life</u>
Leasehold improvements	\$ 3,822,238	\$ 3,816,683	10-40
Machinery and equipment	232,778	202,366	10
Furniture and fixtures	359,161	355,133	3-10
Software	4,880	4,880	5
Total cost	<u>4,419,057</u>	<u>4,379,062</u>	
Accumulated depreciation	<u>2,746,402</u>	<u>2,616,842</u>	
Net property and equipment	<u>\$ 1,672,655</u>	<u>\$ 1,762,220</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, 2022, 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, 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 \$10,000 was collected for sponsorships. For the year ended 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 2020, \$5,382 was collected for gift certificates and \$10,000 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 \$395,228 at June 30, 2022.

For the years ended June 30, 2022 and 2021 the Organization recognized in-kind contribution rent revenue of \$26,500 and \$24,730, respectively and in-kind rent expense of \$56,000 for each of the years.

**Birmingham Bloomfield Art Center, Inc.**  
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**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, 2022</u>	<u>June 30, 2021</u>
Subject to expenditure for specified purpose:		
Scholarships	\$ 84,566	\$ 85,551
Exhibition awards	2,000	3,000
Memorial fund	-	100
Michigan Council for Arts and Cultural Affairs	4,398	8,923
	<u>90,964</u>	<u>97,574</u>
Subject to the passage of time:		
Donated rent receivable	<u>395,228</u>	<u>424,722</u>
Subject to purpose and passage of time:		
The Kresge Foundation - Detroit Arts support	<u>-</u>	<u>25,000</u>
Total net assets with donor restrictions	<u>\$ 486,192</u>	<u>\$ 547,296</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, 2022 and 2021:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Satisfaction of purpose restrictions		
Scholarships	\$ 4,235	\$ 1,267
DeRoy Fund	-	10,000
Exhibition awards	1,000	1,000
Kresge	25,000	27,500
Jerome Madig Memorial Award for Photography	100	-
Village Club Foundation	-	3,000
Michigan Council for Arts and Cultural Affairs	8,917	-
	<u>39,252</u>	<u>42,767</u>
Expiration of time restrictions		
Donated rent receivable	<u>29,500</u>	<u>31,270</u>
	<u>\$ 68,752</u>	<u>\$ 74,037</u>

**Birmingham Bloomfield Art Center, Inc.**  
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**Note 10 – Contributed Nonfinancial Assets**

Contributed nonfinancial assets for the year ended were:

<u>Category</u>	<u>2022 Revenue recognized</u>	<u>2021 Revenue recognized</u>	<u>Utilization in programs/activities</u>	<u>Donor restrictions</u>	<u>Valuation techniques and inputs</u>
Building	\$ 26,500	\$ 24,730	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, 2022 and 2021.
Supplies	-	1,393	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>\$ 26,500</u>	<u>\$ 26,123</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 \$30,270 at June 30, 2022 and \$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.**  
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**Note 12 – Revenue from Contracts with Customer**

The following summarizes revenue by type for the years ended June 30, 2022 and 2021:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Contract revenue recognized at a point in time		
Gallery and exhibition sales	<u>\$ 126,826</u>	<u>\$ 199,364</u>
Contract revenue recognized over time		
Class fees	<u>878,416</u>	<u>440,981</u>
Contributions and other revenue		
Contributions and grants	225,974	316,712
In-kind rent donations	26,500	26,123
Membership fees	52,964	32,592
Fundraising events	97,294	-
Investment return	1,269	-
Other income	146,851	206,507
	<u>550,852</u>	<u>581,934</u>
Total revenues	<u>\$ 1,556,094</u>	<u>\$ 1,222,279</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, 2022</u>	<u>June 30, 2021</u>	<u>July 1, 2020</u>
Trade accounts receivable	<u>\$ 2,318</u>	<u>\$ 1,332</u>	<u>\$ 18,750</u>
Deferred revenue	<u>\$ 179,510</u>	<u>\$ 133,846</u>	<u>\$ 52,354</u>

There were no changes in judgments related to revenue recognition for the years ended June 30, 2022 and 2021.