

**WILLIAM BONIFAS FINE ARTS CENTER, INC.**

**FINANCIAL STATEMENTS**

**June 30, 2020 and 2019**

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*Schneider, Larche,  
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS**

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October 21, 2020

To the Board of Directors of the  
William Bonifas Fine Arts Center, Inc.  
Escanaba, Michigan

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying financial statements of William Bonifas Fine Arts Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**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.

**Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2020 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Report on June 30, 2019 Financial Statements**

The June 30, 2019 financial statements were audited by us and we expressed an unmodified opinion on them in our report dated November 6, 2019. We have not performed any auditing procedures on the financial statements since November 6, 2019.

*Schneider, Raiche, Haapala & Company, PLLC*

Certified Public Accountants  
Escanaba, Michigan

**WILLIAM BONIFAS FINE ARTS CENTER, INC.**

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2020 (Reviewed) and 2018 (Audited)

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 130,517	\$ 169,098
Cash - board designated	88,355	37,515
Grant receivable	4,420	9,800
Miscellaneous receivables	6,665	1,347
Prepaid expenses	<u>1,819</u>	<u>-</u>
TOTAL CURRENT ASSETS	231,776	217,760
Fixed assets (net of reserve for depreciation)	247,404	230,064
Beneficial interest in Besse Sustaining Endowment	689,840	703,217
Beneficial interest in Community Foundation	451,915	464,839
Beneficial interest in perpetual trusts	581,973	589,612
Collections ( <i>Notes B and D</i> )		
TOTAL ASSETS	\$ <u>2,202,908</u>	\$ <u>2,205,492</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 2,385	\$ 2,830
Simple IRA payable	2,233	2,097
Accrued payroll taxes	3,004	2,933
Other current liabilities	2,443	2,426
Deferred revenue	<u>11,505</u>	<u>21,769</u>
TOTAL CURRENT LIABILITIES	21,570	32,055
Note payable-PPP loan	40,200	-
TOTAL LIABILITIES	<u>61,770</u>	<u>32,055</u>
<b><u>NET ASSETS</u></b>		
Without donor restrictions	869,325	880,608
With donor restrictions	<u>1,271,813</u>	<u>1,292,829</u>
TOTAL LIABILITIES	<u>2,141,138</u>	<u>2,173,437</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,202,908</u>	\$ <u>2,205,492</u>

See independent accountant's review report and accompanying notes to financial statements.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2020 (Reviewed) and 2019 (Audited)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUES:</b>						
Private contributions	\$ 56,525	\$ 13,219	\$ 69,744	\$ 106,339	\$ 2,750	\$ 109,089
Grants and contracts	-	39,885	39,885	-	36,480	36,480
Program-in-kind donations	45,538	-	45,538	48,305	-	48,305
Interest and dividends	1,980	-	1,980	656	-	656
Endowment investment income	16,142	-	16,142	15,405	-	15,405
Gain (Loss) from beneficial interest in Community Foundation	7,422	-	7,422	17,053	-	17,053
Gain (Loss) from beneficial interest in Besse Sustaining Endowment	-	55,078	55,078	-	43,961	43,961
Gain (Loss) on beneficial interest in perpetual trusts	-	(7,640)	(7,640)	-	2,421	2,421
Performing arts	1,126	4,750	5,876	3,229	6,716	9,945
Education	22,322	4,750	27,072	25,241	6,650	31,891
Rentals	17,921	-	17,921	19,562	-	19,562
Sales of art	6,788	-	6,788	12,912	-	12,912
Visual arts	3,149	4,970	8,119	4,234	17,849	22,083
Fundraisers	29,233	4,030	33,263	43,336	6,610	49,946
Fundraisers-in-kind donations	772	-	772	22,553	-	22,553
Increase in cash surrender value of life insurance	-	-	-	896	-	896
Net assets released from restrictions:						
Satisfaction of program and time restrictions	140,058	(140,058)	-	110,011	(110,011)	-
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>348,976</b>	<b>(21,016)</b>	<b>327,960</b>	<b>429,732</b>	<b>13,426</b>	<b>443,158</b>
<b>EXPENSES:</b>						
Program services	249,352	-	249,352	303,581	-	303,581
Supporting services:						
Management and general	74,889	-	74,889	66,039	-	66,039
Fundraising	36,018	-	36,018	55,204	-	55,204
<b>TOTAL EXPENSES</b>	<b>360,259</b>	<b>-</b>	<b>360,259</b>	<b>424,824</b>	<b>-</b>	<b>424,824</b>
Change in net assets	(11,283)	(21,016)	(32,299)	4,908	13,426	18,334
Net assets, beginning of year	880,608	1,292,829	2,173,437	875,700	1,279,403	2,155,103
<b>Net assets, end of year</b>	<b>\$ 869,325</b>	<b>\$ 1,271,813</b>	<b>\$ 2,141,138</b>	<b>\$ 880,608</b>	<b>\$ 1,292,829</b>	<b>\$ 2,173,437</b>

See independent accountant's review report and accompanying notes to financial statements.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020 (Reviewed)

	Program Services				Support Services			Total
	Gallery	Education	Performing Arts	Total Program	Management & General	Fund Raising	Total Support	
<b>PROGRAM SERVICES</b>								
Personnel:								
Salaries and wages	\$ 23,214	\$ 34,942	\$ 7,575	\$ 65,731	\$ 52,659	\$ 22,082	\$ 74,741	\$ 140,472
Payroll taxes	1,959	2,949	639	5,547	4,444	1,864	6,308	11,855
Employee benefits	760	716	110	1,586	8,523	136	8,659	10,245
Workers' compensation insurance	137	206	45	388	310	130	440	828
Gallery exhibits	4,725	-	-	4,725	-	-	-	4,725
Cost of art sold	4,924	-	-	4,924	-	-	-	4,924
Instructors, class supplies and expenses	-	16,852	-	16,852	-	-	-	16,852
Performer honoraria and sound rental	-	-	4,398	4,398	-	-	-	4,398
Children's Theater	-	-	-	-	-	-	-	-
Facility:								
Maintenance and repair	4,446	2,600	6,151	13,197	-	-	-	13,197
Utilities	4,043	6,671	9,500	20,214	-	-	-	20,214
Insurance	1,454	2,400	3,418	7,272	-	-	-	7,272
Depreciation	6,708	13,415	2,236	22,359	1,411	-	1,411	23,770
General marketing	8,505	17,010	2,835	28,350	203	-	203	28,553
Office supplies	1,919	3,837	640	6,396	-	-	-	6,396
Fundraisers	-	-	-	-	-	11,806	11,806	11,806
In-kind	46,310	-	-	46,310	-	-	-	46,310
Professional services	-	-	-	-	7,289	-	7,289	7,289
Bank fees	331	662	110	1,103	-	-	-	1,103
Miscellaneous	-	-	-	-	50	-	50	50
<b>TOTAL PROGRAM AND SUPPORT SERVICES</b>	<b>\$ 109,435</b>	<b>\$ 102,260</b>	<b>\$ 37,657</b>	<b>\$ 249,352</b>	<b>\$ 74,889</b>	<b>\$ 36,018</b>	<b>\$ 110,907</b>	<b>\$ 360,259</b>

See independent accountant's review report and accompanying notes to financial statements.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019 (Audited)

	Program Services				Support Services			Total
	Gallery	Education	Performing Arts	Total Program	Management & General	Fund Raising	Total Support	
<b>PROGRAM SERVICES</b>								
Personnel:								
Salaries and wages	\$ 38,495	\$ 41,093	\$ 8,321	\$ 87,909	\$ 44,867	\$ 18,612	\$ 63,479	\$ 151,388
Payroll taxes	3,318	3,543	717	7,578	4,125	1,680	5,805	13,383
Employee benefits	1,463	821	144	2,428	9,132	296	9,428	11,856
Workers' compensation insurance	214	228	46	488	266	108	374	862
Gallery exhibits	9,467	-	-	9,467	-	-	-	9,467
Cost of art sold	8,581	-	-	8,681	-	-	-	8,681
Instructors, class supplies and expenses	-	21,721	-	21,721	-	-	-	21,721
Performer honoraria and sound rental	-	-	4,500	4,500	-	-	-	4,500
Children's Theater	-	-	4,100	4,100	-	-	-	4,100
Facility:								
Maintenance and repair	2,642	4,359	6,208	13,209	-	-	-	13,209
Utilities	4,398	7,257	10,335	21,990	-	-	-	21,990
Insurance	1,407	2,321	3,305	7,033	-	-	-	7,033
Depreciation	4,379	7,226	10,292	21,897	1,517	-	1,517	21,414
General marketing	9,810	19,621	3,270	32,701	92	-	92	32,793
Office supplies	2,338	4,675	779	7,792	-	-	-	7,792
Fundraisers	-	-	-	-	-	11,955	11,955	11,955
In-kind	24,390	23,915	-	48,305	-	22,553	22,553	70,858
Equipment rent	459	917	153	1,529	-	-	-	1,529
Professional services	-	-	-	-	4,364	-	4,364	4,364
Bank fees	676	1,352	225	2,253	-	-	-	2,253
Miscellaneous	-	-	-	-	1,676	-	1,676	1,676
<b>TOTAL PROGRAM AND SUPPORT SERVICES</b>	<b>\$ 112,137</b>	<b>\$ 139,049</b>	<b>\$ 52,395</b>	<b>\$ 303,581</b>	<b>\$ 66,039</b>	<b>\$ 55,204</b>	<b>\$ 121,243</b>	<b>\$ 424,824</b>

See independent accountant's review report and accompanying notes to financial statements.



**WILLIAM BONIFAS FINE ARTS CENTER, INC.**

**STATEMENTS OF CASH FLOWS**

For the years ended June 30, 2020 (Reviewed) and 2019 (Audited)

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (32,299)	\$ 18,334
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,770	23,414
(Gain) loss in beneficial interest in perpetual trusts	(8,503)	(17,826)
(Gain) loss in beneficial interest in Besse Sustaining Endowment	(55,078)	(43,961)
(Gain) loss in beneficial interest in Community Foundation	(7,422)	(17,053)
Donation received of additional interest in CSV of life insurance	-	(33,320)
Increase in cash surrender value of life insurance	-	(896)
Change in Assets and Liabilities:		
Decrease (increase) in receivables	62	(4,577)
Decrease (increase) in prepaid expenses	(1,819)	-
Increase (decrease) in accounts payable	(445)	(2,460)
Increase (decrease) in accrued expenses	224	(5,202)
Increase (decrease) in deferred revenue	(10,264)	(1,417)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>(91,774)</u></b>	<b><u>(84,964)</u></b>
Cash Flows from Investing Activities:		
Fixed asset purchases	(41,110)	(7,056)
Proceeds from surrender of life insurance policy	-	67,536
Cash transferred from beneficial interest in perpetual trusts	16,142	15,405
Cash transferred from beneficial interest in Besse Sustaining Endowment	68,455	32,956
Cash transferred from beneficial interest in Community Foundation	20,346	20,431
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b><u>63,833</u></b>	<b><u>129,272</u></b>
Cash Flows from Financing Activities:		
Proceeds from note payable	40,200	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b><u>40,200</u></b>	<b><u>-</u></b>
<b>NET INCREASE IN CASH</b>	<b>12,259</b>	<b>44,308</b>
Cash, beginning of year	<u>206,613</u>	<u>162,305</u>
Cash, end of year	<b><u>\$ 218,872</u></b>	<b><u>\$ 206,613</u></b>
The following provides a reconciliation of cash as reported within the statements of financial position to Cash, end of year, reported above:		
Cash	\$ 130,517	\$ 169,098
Cash - board designated	<u>88,355</u>	<u>37,515</u>
	<b><u>\$ 218,872</u></b>	<b><u>\$ 206,613</u></b>

See independent accountant's review report and accompanying notes to financial statements.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

**NOTE A - NATURE OF ACTIVITIES**

The William Bonifas Fine Arts Center is a non-profit tax-exempt organization dedicated to developing, organizing, promoting, and presenting the arts in Delta County and the surrounding Upper Peninsula of Michigan. The Center's support comes primarily from contributions.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Public Support and Revenue - Annual campaign contributions are generally available for unrestricted use in the related campaign year. Grants and other contributions of cash are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Certain grants are recorded as exchange transactions based on criteria contained in the grant award. Exchange transaction revenue is recognized after completion of the event stipulated or implied in the transaction.

Donated Materials and Services - Contributions of donated materials are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Expenses - Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Collections - The collections, which were acquired through purchases and contributions since the Center's inception, are not recognized as assets on the Statement of Financial Position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired, or as net assets with donor

See independent accountants' review report.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Accounts Receivable - Accounts receivable are stated at their unpaid balances and consist of amounts due for programs provided and rental of the facilities. No allowance is considered necessary.

Fixed Assets and Depreciation - Fixed assets are recorded at cost or at reasonable fair value of the asset when it was donated. Donated services used in constructing assets are also capitalized to the cost of construction at fair value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used:

Buildings and improvements	5-25 years
Equipment	5-10 years

Net Assets - Net Assets are classified in the Statement of Financial Position based on the existence or absence of donor-imposed 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. Within this class, the board has designated net assets for specified purposes and a board designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income Taxes - The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on income derived from unrelated business activities. The Center has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Center's federal Return of Organization Exempt from Income Tax Returns (Form 990) are subject to examination by the IRS, generally for three years after they were filed.

See independent accountants' review report.

**WILLIAM BONIFAS FINE ARTS CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020 and 2019

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Advertising – The Center expenses advertising costs as they are incurred. Total advertising expense was \$43,572 and \$42,008, which includes the amount recorded for in-kind of \$30,948 and \$28,450 for the years ended June 30, 2020 and 2019, respectively.

Functional Allocation of 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.

**NOTE C – FIXED ASSETS**

The following is a summary of property and equipment, less accumulated depreciation:

	Balance <u>6/30/19</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/20</u>
Land	\$ 17,600	\$ -	\$ -	\$ 17,600
Buildings and improvements	1,060,702	41,110	-	1,101,812
Equipment	<u>131,541</u>	<u>-</u>	<u>-</u>	<u>131,541</u>
	1,209,843	41,110	-	1,250,953
Reserve for depreciation	<u>(979,779)</u>	<u>(23,770)</u>	<u>-</u>	<u>(1,003,549)</u>
<b>TOTAL</b>	<b>\$ <u>230,064</u></b>	<b>\$ <u>17,340</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>247,404</u></b>

	Balance <u>6/30/18</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/19</u>
Land	\$ 17,600	\$ -	\$ -	\$ 17,600
Buildings and improvements	1,060,702	-	-	1,060,702
Equipment	<u>124,485</u>	<u>7,056</u>	<u>-</u>	<u>131,541</u>
	1,202,787	7,056	-	1,209,843
Reserve for depreciation	<u>(956,365)</u>	<u>(23,414)</u>	<u>-</u>	<u>(979,779)</u>
<b>TOTAL</b>	<b>\$ <u>246,422</u></b>	<b>\$ <u>(16,358)</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>230,064</u></b>

Depreciation expense amounted to \$23,770 and \$23,414 for the years ended June 30, 2020 and 2019, respectively.

See independent accountants' review report.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

**NOTE D - COLLECTIONS**

The Center's collections are made up of artifacts of historical significance and art objects that are held for educational and curatorial purposes. The collections are catalogued and archived in an electronic database. The art collections are not available for sale.

**NOTE E - DONATED SERVICES**

Significant services are donated to the Center by various individuals and organizations. Donated hours were 1,481 and 2,426 for the years ended June 30, 2020 and 2019, respectively. The fair value of donated services, which do not meet the criteria to be recognized as support in the financial statements, is estimated at \$14,810 and \$24,260 for the years ended June 30, 2020 and 2019, respectively.

**NOTE F - NET ASSETS WITHOUT DONOR RESTRICTIONS**

A summary of net assets without donor restrictions is as follows.

	<u>2020</u>	<u>2019</u>
Board designated:		
Community Foundation endowment	\$ 451,915	\$ 464,839
Capital improvements	22,693	22,177
Cash reserve	11,204	10,906
Barb Symons Scholarship Fund	<u>4,439</u>	<u>4,432</u>
Total designated	490,251	502,354
Undesignated	<u>379,074</u>	<u>378,254</u>
Total Net Assets Without Donor Restrictions	\$ <u>869,325</u>	\$ <u>880,608</u>

Net assets without donor restrictions include funds which the Board of Directors designated to function as an endowment in the Community Foundation, whereby these assets are invested to provide a permanent source of income.

See independent accountants' review report.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

**NOTE G – NET ASSETS WITH DONOR RESTRICTIONS**

Contributions of cash and other assets are reported as net assets with donor restrictions if the contributions are received with donor stipulations or restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from donor restrictions.

Net assets with donor restrictions at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Donor imposed time restrictions on contributions	\$ 689,840	\$ 703,217
Beneficial interest in perpetual trust	<u>581,973</u>	<u>589,612</u>
Total Net Assets With Donor Restrictions	\$ <u>1,271,813</u>	\$ <u>1,292,829</u>

The Center is the beneficiary of four split-interest agreement trusts designed as permanent endowments to create a permanent source of income.

Release of Restrictions – Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
All programs	\$ 7,000	\$ 5,000
Gallery	42,670	39,349
Education	-	8,550
Performing arts	10,593	14,796
Marketing	2,125	2,750
Fundraising	<u>7,280</u>	<u>6,610</u>
	69,668	77,055
Time restrictions expired:		
Passage of specific time	<u>68,455</u>	<u>32,956</u>
Total Restrictions Released	\$ <u>138,123</u>	\$ <u>110,011</u>

See independent accountants' review report.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

**NOTE H - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Center's financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position, are comprised of the following:

	<u>2020</u>	<u>2019</u>
Cash (undesignated)	\$ 130,517	\$ 169,098
Receivables	11,085	11,147
Distributions from beneficial interest in trusts	16,142	15,400
Endowment fund appropriations	<u>53,400</u>	<u>53,400</u>
	<u>\$ 211,144</u>	<u>\$ 249,045</u>

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its funds. An annual budget is approved in June of each year for the following fiscal year, and is monitored monthly by the finance committee.

In addition to financial assets available to meet general expenditures over the next 12 months, the Center anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Center's cash and shows positive cash flows for fiscal year 2020 and 2019.

The Board has designated a portion of its net assets without donor restrictions for endowment and other purposes. Those amounts are identified as board-designated in Note F. The endowment fund is held at the Community Foundation for long-term investment for the purpose of providing current income. The estimated amounts available from this endowment are included above in Endowment fund appropriations. This endowment is further described in Note L.

The Center is also beneficiary of the Besse Sustaining Endowment Fund, which specifies a minimum distribution of 5% of the value of the Fund each year. The available spending from this fund is further described in Note M. The estimated amounts available from this endowment are included above in Endowment fund appropriations.

**NOTE I - CONTINGENCIES**

The William Bonifas Fine Arts Center, Inc. was originally formed in 1979 exclusively to raise funds for required repairs, improvements, and maintenance of the William Bonifas Fine Arts Center building. The building, at the time, was leased from the Catholic Diocese of Marquette to be used as an arts and crafts center. On November 9, 1981, the Catholic Diocese of Marquette conveyed title of the building to the William Bonifas Fine Arts Center, Inc. subject to the condition that it be used for artistic, cultural, historical, and recreational purposes which benefit the residents of Delta County, Michigan. In the event the building is no longer used for the above purposes, title will revert to the Catholic Diocese of Marquette.

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WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

**NOTE J - LIFE INSURANCE POLICY**

The Center was owner and beneficiary of a life insurance policy. The premiums for the policy were donated by the insured individuals. During the fiscal year ended June 30, 2019, the Center was made 100% beneficiary and surrendered the policy for its cash surrender value. The donation of the additional 50% of cash surrender value is reported in private contributions in the Statements of Activities for the year ended June 30, 2019. The following summarizes the transactions for the year ended June 30, 2019:

Cash surrender value, June 30, 2018	\$ 66,640
Increase in cash surrender value	<u>896</u>
Cash surrender value, May 6, 2019	67,536
Policy surrendered	<u>(67,536)</u>
Cash surrender value, June 30, 2019	\$ <u>-----</u> -

**NOTE K - EMPLOYEE RETIREMENT ACCOUNTS**

The Center sponsors a SIMPLE IRA plan which covers eligible individuals who have earned at least \$5,000 in the previous calendar year with the reasonable expectation that \$5,000 will be earned in the current year. Under the provisions of the plan, the Center matches an employee's contributions up to a limit of 3% of the employee's compensation. The amounts charged to employee benefits expense for the SIMPLE IRA match in the years ended June 30, 2020 and 2019 were \$3,299 and \$4,105, respectively.

**NOTE L- BENEFICIAL INTEREST IN COMMUNITY FOUNDATION**

The William Bonifas Fine Arts Center, Inc. Agency Endowment Fund was established in the Community Foundation on July 1, 2003 by the board with unrestricted funds. The sole purpose of the Fund is to provide annual economic support to the Center through distributions of its allocable earnings.

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**NOTE L- BENEFICIAL INTEREST IN COMMUNITY FOUNDATION (Continued)**

The Center explicitly grants variance power to the Community Foundation, allowing the Foundation to modify any restriction or condition on the distribution of funds if such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the Delta County, Michigan area. The Center retains a beneficiary interest in the assets and will continue to include them at fair value in the financial statements, which approximates the net present value of expected future distributions.

A summary of the changes in fair value of the beneficial interest in the assets is as follows:

Fair value of beneficial interest at June 30, 2018	\$ 468,217
Additional contributions	-
Income (loss) for the year	17,053
Income distributed by the fund	<u>(20,431)</u>
Fair value of beneficial interest at June 30, 2019	464,839
Additional contributions	-
Income (loss) for the year	7,422
Income distributed by the fund	<u>(20,346)</u>
Fair value of beneficial interest at June 30, 2020	\$ <u>451,915</u>

**NOTE M- BENEFICIAL INTEREST IN THE BESSE SUSTAINING ENDOWMENT-  
HELD IN BAY COLLEGE FOUNDATION**

The Besse Sustaining Endowment Fund, managed by the Bay de Noc Community College Foundation, was established to advance the fine arts in Delta County and the charitable and educational purposes of the Foundation and the Center.

The Foundation will distribute a minimum of 5% of the previous December 31<sup>st</sup> fair value of the fund each year for the Center's general operation support, including capital improvements. In addition, the Center may request an additional 5% each year. The second 5% distribution, if not exercised, may accumulate and be withdrawn in future years.

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WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

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**NOTE M- BENEFICIAL INTEREST IN THE BESSE SUSTAINING ENDOWMENT-  
HELD IN BAY COLLEGE FOUNDATION (Continued)**

A summary of the changes in fair value of the beneficial interest in the assets is as follows:

Fair value of beneficial interest at June 30, 2018	\$ 692,212
Income (loss) for the year	43,961
Amount distributed by the fund	<u>(32,956)</u>
Fair value of beneficial interest at June 30, 2019	703,217
Income (loss) for the year	55,078
Amount distributed by the fund	<u>(68,455)</u>
Fair value of beneficial interest at June 30, 2020	\$ <u>689,840</u>

**NOTE N - BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

The Center is the beneficiary of four split-interest agreement trusts designed as permanent endowments to create a permanent source of income. Two of the trusts distribute their yearly income, with the other two trusts distributing the greater of their net income or a percentage of the prior December 31 fair value of the trust assets. The percentage stipulated is five percent for one and six percent for the other. The Center retains a beneficiary interest in the assets and will continue to include them at fair value in the financial statements, which approximates the net present value of expected future distributions.

Changes in the value of the trusts have been reported in the Statement of Activities as Gain (Loss) on beneficial interest in perpetual trusts and an increase or decrease to net assets with donor restrictions. Distributions from the trusts are reported in the Statements of Activities as endowment investment income and as an increase in net assets without donor restrictions.

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NOTES TO FINANCIAL STATEMENTS

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**NOTE N - BENEFICIAL INTEREST IN PERPETUAL TRUSTS (Continued)**

A summary of the changes in fair value of the beneficial interest in the assets is as follows:

Fair value of beneficial interest at June 30, 2018	\$ 587,191
Income (loss) for the year	17,826
Amount distributed by the trusts	<u>(15,405)</u>
Fair value of beneficial interest at June 30, 2019	589,612
Income (loss) for the year	8,503
Amount distributed by the trusts	<u>(16,142)</u>
Fair value of beneficial interest at June 30, 2020	\$ <u>581,973</u>

**NOTE O - FAIR VALUE MEASUREMENTS**

*FASB Accounting Standards Codification 820, Fair Value Measurements*, establishes a framework for measuring fair value. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

**Level 1** – Quoted prices (unadjusted) in accessible active markets for identical assets at the measurement date.

**Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the assets either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

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**NOTE O – FAIR VALUE MEASUREMENTS (Continued)**

*Level 3* – Certain inputs are unobservable. In these situations, inputs are developed using the best information available in the circumstances.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The beneficial interest in the Community Foundation, Besse Sustaining Endowment and perpetual trusts are valued based upon the net present value of future distributions. The quoted prices for identical or similar Foundation, Sustaining Endowment or perpetual trust underlying assets are a significant input to this valuation methodology.

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2020.

	<u>Assets at Fair Value as of June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in Community Foundation	\$ -	\$ -	\$ 451,915	\$ 451,915
Beneficial interest in Besse Sustaining Endowment	-	-	689,840	689,840
Beneficial interest in perpetual trusts	-	-	<u>581,973</u>	<u>581,973</u>
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ <u>1,723,728</u></b>	<b>\$ <u>1,723,728</u></b>

The changes in valuation of Level 3 assets for the year ended June 30, 2020 are as follows:

	<u>Beneficial Interest in Community Foundation</u>	<u>Beneficial Interest in Besse Sustaining Endowment</u>	<u>Beneficial Interest in Perpetual Trusts</u>
Fair value at beginning of year	\$ 464,839	\$ 703,217	\$ 589,612
Perpetual trust investment income	-	-	16,142
Gains (losses) from beneficial interests	7,422	55,078	( 7,640)
Income distributed	( <u>20,346</u> )	( <u>68,455</u> )	( <u>16,141</u> )
Fair value at end of year	\$ <u>451,915</u>	\$ <u>689,840</u>	\$ <u>581,973</u>

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE O – FAIR VALUE MEASUREMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of June 30, 2019.

	<u>Assets at Fair Value as of June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in Community Foundation	\$ -	\$ -	\$ 464,839	\$ 464,839
Beneficial interest in Besse Sustaining Endowment	-	-	703,217	703,217
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>589,612</u>	<u>589,612</u>
<b>TOTAL</b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>1,757,668</u></b>	<b>\$ <u>1,757,668</u></b>

The changes in valuation of Level 3 assets for the year ended June 30, 2019 are as follows:

	<u>Beneficial Interest in Community Foundation</u>	<u>Beneficial Interest in Besse Sustaining Endowment</u>	<u>Beneficial Interest in Perpetual Trusts</u>
Fair value at beginning of year	\$ 468,217	\$ 692,212	\$ 587,191
Perpetual trust investment income	-	-	15,405
Gains from beneficial interests	17,053	43,961	2,421
Income distributed	<u>(20,431)</u>	<u>(32,956)</u>	<u>(15,405)</u>
Fair value at end of year	<u>\$ 464,839</u>	<u>\$ 703,217</u>	<u>\$ 589,612</u>

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE P – FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facility expenses for utility, maintenance and repairs, insurance and depreciation which are allocated on a square footage basis. Salaries and wages, benefits and payroll taxes are classified directly to the appropriate program or supporting function where possible. Any remaining wages that benefit more than one program or function, as well as shared expenses for general marketing, office supplies, equipment rent, and bank fees, are allocated based upon estimates of the time and effort spent or benefit derived.

**NOTE Q - NOTE PAYABLE-PPP LOAN**

In May 2020, the Center obtained a loan in the amount of \$40,200, under the Payroll Protection Program. The Payroll Protection Program (PPP) was established as part of the Coronavirus Aid Relief and Economic Security Act (Cares Act). Up to 100% of the loan, including accrued interest, may be forgiven if used for qualifying expenses as defined in the CARES Act. Any unforgiven portion must be repaid within 24 months including interest at 1%.

**NOTE R - SUBSEQUENT EVENTS**

The spread of COVID-19 continues to disrupt the global economy. Although the Center has been able to open its gallery with restrictions, certain fundraisers and other events and programs have been cancelled or limited to a certain number of attendees or participants. The extent to which COVID-19 may impact the Center's operations is uncertain at this time. The date to which events occurring after June 30, 2020 have been evaluated for possible adjustment to, or disclosures in the financial statements is October 21, 2020, which is the date on which the financial statements were available to be issued.

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