

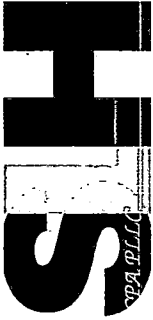
**WILLIAM BONIFAS FINE ARTS CENTER, INC.**

**FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

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

**CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.  
Denise M. Boyle, C.P.A., P.C.  
Bruce D. Dewar, C.P.A.  
Karen L. Melers, C.P.A., P.C.

October 21, 2021

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 statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Schneider, Lusche, Haapala & Company, PLLC*

Certified Public Accountants  
Escanaba, Michigan

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

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 193,978	\$ 130,517
Cash - board designated	40,185	88,355
Grant receivable	3,775	4,420
Miscellaneous receivables	629	6,665
Prepaid expenses	<u>550</u>	<u>1,819</u>
TOTAL CURRENT ASSETS	239,117	231,776
Fixed assets (net of reserve for depreciation)	243,278	247,404
Beneficial interest in Besse Sustaining Endowment	806,106	689,840
Beneficial interest in Community Foundation	560,207	451,915
Beneficial interest in perpetual trusts	733,081	581,973
Collections ( <i>Notes B and D</i> )		
TOTAL ASSETS	\$ <u>2,581,789</u>	\$ <u>2,202,908</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 5,102	\$ 2,385
Simple IRA payable	1,171	2,233
Accrued payroll taxes	2,936	3,004
Other current liabilities	2,318	2,443
Deferred revenue	<u>31,421</u>	<u>11,505</u>
TOTAL CURRENT LIABILITIES	42,948	21,570
Note payable-PPP loan	-	40,200
TOTAL LIABILITIES	<u>42,948</u>	<u>61,770</u>
<b><u>NET ASSETS</u></b>		
Without donor restrictions	999,654	869,325
With donor restrictions	<u>1,539,187</u>	<u>1,271,813</u>
TOTAL NET ASSETS	<u>2,538,841</u>	<u>2,141,138</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,581,789</u>	\$ <u>2,202,908</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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>						
Private contributions	\$ 74,073	\$ 11,180	\$ 85,253	\$ 56,525	\$ 13,219	\$ 69,744
Grants and contracts	-	127,495	127,495	-	39,885	39,885
Program-in-kind donations	35,932	-	35,932	45,538	-	45,538
Interest and dividends	1,758	-	1,758	1,980	-	1,980
Endowment investment income	14,278	-	14,278	16,142	-	16,142
Gain (Loss) from beneficial interest in Community Foundation	128,700	-	128,700	7,422	-	7,422
Gain (Loss) from beneficial interest in Besse Sustaining Endowment	-	156,041	156,041	-	55,078	55,078
Gain (Loss) on beneficial interest in perpetual trusts	-	151,108	151,108	-	(7,640)	(7,640)
Performing arts	-	-	-	1,126	4,750	5,876
Education	11,763	2,739	14,502	22,322	4,750	27,072
Rentals	7,292	-	7,292	17,921	-	17,921
Sales of art	10,077	-	10,077	6,788	-	6,788
Visual arts	3,073	4,500	7,573	3,149	4,970	8,119
Fundraisers	18,802	-	18,802	29,233	4,030	33,263
Fundraisers-in-kind donations	555	-	555	772	-	772
Net assets released from restrictions:						
Satisfaction of program and time restrictions	185,689	(185,689)	-	140,058	(140,058)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>491,992</b>	<b>267,374</b>	<b>759,366</b>	<b>348,976</b>	<b>(21,016)</b>	<b>327,960</b>
<b>EXPENSES:</b>						
Program services	258,109	-	258,109	249,352	-	249,352
Supporting services:						
Management and general	66,578	-	66,578	74,889	-	74,889
Fundraising	36,976	-	36,976	36,018	-	36,018
<b>TOTAL EXPENSES</b>	<b>361,663</b>	<b>-</b>	<b>361,663</b>	<b>360,259</b>	<b>-</b>	<b>360,259</b>
Change in net assets	130,329	267,374	397,703	(11,283)	(21,016)	(32,299)
Net assets, beginning of year	869,325	1,271,813	2,141,138	880,608	1,292,829	2,173,437
Net assets, end of year	\$ 999,654	\$ 1,539,187	\$ 2,538,841	\$ 869,325	\$ 1,271,813	\$ 2,141,138

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, 2021

	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	\$ 27,769	\$ 45,926	\$ 11,445	\$ 85,140	\$ 49,240	\$ 26,395	\$ 75,635	\$ 160,775
Payroll taxes	2,200	3,638	906	6,744	3,901	2,091	5,992	12,736
Employee benefits	725	2,705	299	3,729	6,839	689	7,528	11,257
Workers' compensation insurance	142	235	59	436	252	135	387	823
Gallery exhibits	9,430	-	-	9,430	-	-	-	9,430
Cost of art sold	6,867	-	-	6,867	-	-	-	6,867
Instructors, class supplies and expenses	-	10,259	-	10,259	-	-	-	10,259
Performer honoraria and sound rental	-	-	3,295	3,295	-	-	-	3,295
Children's Theater	-	-	-	-	-	-	-	-
Facility:								
Maintenance and repair	3,287	5,478	2,192	10,957	-	-	-	10,957
Utilities	3,761	6,206	8,838	18,805	-	-	-	18,805
Insurance	1,707	2,017	4,812	8,536	-	-	-	8,536
Depreciation	6,418	12,836	2,140	21,394	1,910	-	1,910	23,304
General marketing	8,965	17,929	2,988	29,882	130	-	130	30,012
Office supplies	1,776	3,552	592	5,920	-	-	-	5,920
Fundraisers	-	-	-	-	-	7,111	7,111	7,111
In-kind	17,697	18,235	-	35,932	-	555	555	36,487
Professional services	-	-	-	-	4,306	-	4,306	4,306
Bank fees	235	470	78	783	-	-	-	783
	<u>235</u>	<u>470</u>	<u>78</u>	<u>783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>783</u>
<b>TOTAL PROGRAM AND SUPPORT SERVICES</b>	<b>\$ 90,979</b>	<b>\$ 129,486</b>	<b>\$ 37,644</b>	<b>\$ 258,109</b>	<b>\$ 66,578</b>	<b>\$ 36,976</b>	<b>\$ 103,554</b>	<b>\$ 361,663</b>

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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

	Program Services				Support Services			Total
	Gallery	Education	Performing Arts	Total Program	Management & General	Fund Raising	Total Support	
<u>PROGRAM SERVICES</u>								
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
TOTAL PROGRAM AND SUPPORT SERVICES	\$ 109,435	\$ 102,260	\$ 37,657	\$ 249,352	\$ 74,889	\$ 36,018	\$ 110,907	\$ 360,259

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 397,703	\$ (32,299)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,304	23,770
PPP loan forgiveness	(70,400)	-
(Gain) loss in beneficial interest in perpetual trusts	(165,386)	(8,503)
(Gain) loss in beneficial interest in Besse Sustaining Endowment	(156,041)	(55,078)
(Gain) loss in beneficial interest in Community Foundation	(128,700)	(7,422)
Change in Assets and Liabilities:		
Decrease (increase) in receivables	6,681	62
Decrease (increase) in prepaid expenses	1,269	(1,819)
Increase (decrease) in accounts payable	2,717	(445)
Increase (decrease) in accrued expenses	(1,255)	224
Increase (decrease) in deferred revenue	19,916	(10,264)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(70,192)</u>	<u>(91,774)</u>
Cash Flows from Investing Activities:		
Fixed asset purchases	(19,178)	(41,110)
Cash transferred from beneficial interest in perpetual trusts	14,278	16,142
Cash transferred from beneficial interest in Besse Sustaining Endowment	39,775	68,455
Cash transferred from beneficial interest in Community Foundation	20,408	20,346
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>55,283</u>	<u>63,833</u>
Cash Flows from Financing Activities:		
Proceeds from notes payable - PPP loans	30,200	40,200
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>30,200</u>	<u>40,200</u>
NET INCREASE IN CASH	15,291	12,259
Cash, beginning of year	<u>218,872</u>	<u>206,613</u>
Cash, end of year	\$ <u><u>234,163</u></u>	\$ <u><u>218,872</u></u>

Supplemental Disclosure of Non-cash Financing Activities:

The first and second PPP loans in the amounts of \$40,200 and \$30,200 respectively, were forgiven in January, 2021 and June, 2021, respectively.

The following provides a reconciliation of cash as reported within the statements of financial position to Cash, end of year, reported above:

Cash	\$ 193,978	\$ 130,517
Cash - board designated	40,185	88,355
	\$ <u><u>234,163</u></u>	\$ <u><u>218,872</u></u>

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

WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

**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**

Revenue Recognition - The Center recognizes revenue for ticket sales and admissions, memberships, fee-based programming and event rentals when the performance obligations are satisfied. Ticket sales and admissions revenues are recognized when the event occurs. Membership revenues are generally for one year periods. Each membership has both a gift and exchange transaction component. The exchange component for memberships is considered immaterial and as such, the Center recognizes membership revenue as contributions when received. Fee-based programming includes educational programs and classes at the Center and this revenue is recognized when the programs or classes are completed. Rentals for the use of space from third parties for events is recognized when the event occurs.

Grant Revenues - Grant revenues are derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred in compliance with specific contract or grant provisions.

Contributions revenue recognition - Contributions are recognized at fair value when an unconditional commitment is received from the donor. Conditional contributions are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the 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.

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.

See independent accountants' review report.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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

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 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.

See independent accountants' review report.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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

*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.

Advertising - The Center expenses advertising costs as they are incurred. Total advertising expense was \$42,550 and \$43,572, which includes the amount recorded for in-kind of \$26,513 and \$30,948 for the years ended June 30, 2021 and 2020, 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.

New Accounting Pronouncements - Effective July 1, 2020, the Center adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequently issued clarifying ASU's which replaced most existing revenue recognition guidance in US Generally Accepted Accounting Principles (GAAP). The new guidance requires the Center to recognize revenue in an amount that reflects the consideration to which the Center expects to be entitled in exchange for goods or services provided to customers. The new guidance also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Analysis of various provisions of this standard resulted in no significant changes in the way the Center recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis.

See independent accountants' review report.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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

The Center has also adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. No changes to the previously issued financial statements were required as a result of adoption of this standard.

**NOTE C - FIXED ASSETS**

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

	<u>Balance</u> <u>6/30/20</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/21</u>
Land	\$ 17,600	\$ -	\$ -	\$ 17,600
Buildings and improvements	1,101,812	11,073	-	1,112,885
Equipment	<u>131,541</u>	<u>8,105</u>	<u>-</u>	<u>139,646</u>
	1,250,953	19,178	-	1,270,131
Reserve for depreciation	( <u>1,003,549</u> )	( <u>23,304</u> )	<u>-</u>	( <u>1,026,853</u> )
TOTAL	\$ <u>247,404</u>	( \$ <u>4,126</u> )	\$ <u>-</u>	\$ <u>243,278</u>
	<u>Balance</u> <u>6/30/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <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> )
TOTAL	\$ <u>230,064</u>	\$ <u>17,340</u>	\$ <u>-</u>	\$ <u>247,404</u>

Depreciation expense amounted to \$23,304 and \$23,770 for the years ended June 30, 2021 and 2020, respectively.

See independent accountants' review report.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

**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 622 and 1,481 for the years ended June 30, 2021 and 2020, 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 \$6,220 and \$14,810 for the years ended June 30, 2021 and 2020, respectively.

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

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

	<u>2021</u>	<u>2020</u>
Board designated:		
Community Foundation endowment	\$ 560,207	\$ 451,915
Capital improvements	21,111	22,693
Cash reserve	14,633	11,204
Barb Symons Scholarship Fund	<u>4,441</u>	<u>4,439</u>
Total designated	600,392	490,251
Undesignated	<u>399,262</u>	<u>379,074</u>
Total Net Assets Without Donor Restrictions	\$ <u>999,654</u>	\$ <u>869,325</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, 2021 and 2020

**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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Donor imposed time restrictions on contributions	\$ 806,106	\$ 689,840
Beneficial interest in perpetual trusts	<u>733,081</u>	<u>581,973</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,539,187</u>	<u>\$ 1,271,813</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>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
All programs	\$ 75,480	\$ 7,000
Gallery	31,297	33,385
Education	11,937	9,550
Performing arts	8,325	12,673
Marketing	14,375	3,625
Fundraising	<u>4,500</u>	<u>5,370</u>
	145,914	71,603
Time restrictions expired:		
Passage of specific time	<u>39,775</u>	<u>68,455</u>
Total Restrictions Released	<u>\$ 185,689</u>	<u>\$ 140,058</u>

See independent accountants' review report.

WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

**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>2021</u>	<u>2020</u>
Cash (undesignated)	\$ 193,978	\$ 130,517
Receivables	4,404	11,085
Distributions from beneficial interest in trusts	14,278	16,142
Endowment fund appropriations	<u>60,713</u>	<u>53,400</u>
	<u>\$ 273,373</u>	<u>\$ 211,144</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.

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, 2021 and 2020

**NOTE J - DEFERRED REVENUE**

The following provides information about significant changes in deferred revenue for the years ended June 30, 2021 and 2020.

	<u>2021</u>		
	<u>Grants</u>	<u>Program Fees</u>	<u>Event Sponsorship</u>
Deferred revenue, beginning of year	\$ -	\$ 3,902	\$ 7,603
Revenue recognized that was included in deferred revenue at the beginning of the year	( -)	( 3,902)	( 7,603)
Increases in deferred revenue due to cash received during the year	<u>8,000</u>	<u>7,061</u>	<u>16,360</u>
Deferred revenue, end of year	<u>\$ 8,000</u>	<u>\$ 7,061</u>	<u>\$ 16,360</u>

	<u>2020</u>		
	<u>Grants</u>	<u>Program Fees</u>	<u>Event Sponsorship</u>
Deferred revenue, beginning of year	\$ 2,484	\$ 8,425	\$ 10,860
Revenue recognized that was included in deferred revenue at the beginning of the year	( 2,484)	( 8,425)	( 10,860)
Increases in deferred revenue due to cash received during the year	<u>-</u>	<u>3,902</u>	<u>7,603</u>
Deferred revenue, end of year	<u>\$ -</u>	<u>\$ 3,902</u>	<u>\$ 7,603</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, 2021 and 2020 were \$4,196 and \$3,299, 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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WILLIAM BONIFAS FINE ARTS CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

**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, 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	451,915
Additional contributions	-
Income (loss) for the year	128,700
Income distributed by the fund	( <u>20,408</u> )
Fair value of beneficial interest at June 30, 2021	\$ <u>560,207</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

June 30, 2021 and 2020

**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, 2019	\$ 703,217
Income (loss) for the year	55,078
Amount distributed by the fund	( 68,455)
Fair value of beneficial interest at June 30, 2020	689,840
Income (loss) for the year	156,041
Amount distributed by the fund	( 39,775)
Fair value of beneficial interest at June 30, 2021	\$ <u>806,106</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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WILLIAM BONIFAS FINE ARTS CENTER, INC.

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, 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	581,973
Income (loss) for the year	165,386
Amount distributed by the trusts	( <u>14,278</u> )
Fair value of beneficial interest at June 30, 2021	\$ <u>733,081</u>

**NOTE O - FAIR VALUE MEASUREMENTS**

*FASB Accounting Standards Codification 820, Fair Value Measurements*, establishes a framework for measuring fair value. Included in the accompanying financial statements are certain financial instruments carried at fair value. Fair value of an asset is the amount at which an asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, using current market inputs for similar financial instruments with comparable terms and credit quality. Inputs used to determine fair value refers broadly to the assumptions that market participants would use in pricing the asset. 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 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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**WILLIAM BONIFAS FINE ARTS CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

**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, 2021.

	<u>Assets at Fair Value as of June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in Community Foundation	\$ -	\$ -	\$ 560,207	\$ 560,207
Beneficial interest in Besse Sustaining Endowment	-	-	806,106	806,106
Beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>733,081</u>	<u>733,081</u>
<b>TOTAL</b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>2,099,394</u></b>	<b>\$ <u>2,099,394</u></b>

The changes in valuation of Level 3 assets for the year ended June 30, 2021 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	\$ 451,915	\$ 689,840	\$ 581,973
Perpetual trust investment income	-	-	14,278
Gains (losses) from beneficial interests	128,700	156,041	151,108
Income distributed	<u>( 20,408)</u>	<u>( 39,775)</u>	<u>( 14,278)</u>
Fair value at end of year	<u>\$ 560,207</u>	<u>\$ 806,106</u>	<u>\$ 733,081</u>

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June 30, 2021 and 2020

**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, 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>-</u>	<u>-</u>	<u>581,973</u>	<u>581,973</u>
TOTAL	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,723,728</u>	\$ <u>1,723,728</u>

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

**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**

During the year ended June 30, 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). The Center obtained a second Payroll Protection Program loan in the amount of \$30,200 during the year ended June 30, 2021. Up to 100% of the loan, including accrued interest, could be forgiven if used for qualifying expenses as defined in the CARES Act. Both loans were entirely forgiven during the year ended June 30, 2021. The forgiven loans have been recorded as grant revenue in the accompanying Statement of Activities for the year ended June 30, 2021.

**NOTE R -RECLASSIFICATIONS**

Certain 2020 amounts have been reclassified to conform to the 2021 presentation.

**NOTE S - SUBSEQUENT EVENTS**

The global COVID-19 pandemic continues to cause disruption. 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, 2021 have been evaluated for possible adjustment to, or disclosures in the financial statements is October 21, 2021, which is the date on which the financial statements were available to be issued.

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