

**FINANCIAL STATEMENTS**

**CENTER FOR THE ARTS OF GREATER LAPEER, INC.**

**June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Center for the Arts of Greater Lapeer, Inc.

We have audited the accompanying financial statements of Center for the Arts of Greater Lapeer, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—cash basis as of June 30, 2017, and the related statements of revenue, support, expenses, and changes in net assets—cash basis, and statement of functional expenses – cash basis for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Center for the Arts of Greater Lapeer, Inc. as of June 30, 2017, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Robson and McCallum, CPA's  
March 1, 2018

**CENTER FOR THE ARTS OF GREATER LAPEER, INC**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – CASH BASIS**  
June 30, 2017

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 7,521
Inventory	<u>1,317</u>

Total Current Assets	\$ <u>8,838</u>
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Fixed Assets

Machinery and Equipment	\$ 47,857
Less: Accumulated Depreciation	<u>(34,817)</u>

Total Fixed Assets	\$ <u>13,040</u>
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Total Assets	\$ <u>21,878</u>
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**LIABILITIES**

Current Liabilities

Payroll Liabilities	\$ 3,226
Deferred Revenue	5,950
Lakestone Credit Card	<u>2,548</u>

Total Current Liabilities	\$ <u>11,724</u>
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Total Liabilities	\$ <u>11,724</u>
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**NET ASSETS**

Unrestricted	\$ <u>10,154</u>
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Total Liabilities and Net Assets	\$ <u>21,878</u>
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**CENTER FOR THE ARTS OF GREATER LAPEER, INC**  
**STATEMENT OF REVENUE AND SUPPORT, EXPENSES AND**  
**CHANGES IN NET ASSETS – CASH BASIS**  
Year Ended June 30, 2017

**REVENUE AND SUPPORT**

Admissions	\$ 67,735
Annual Giving	14,675
Concessions	11,727
Contracts	100,959
Fundraising	13,691
Gallery 194	43,496
Grants	27,357
Rentals	1,510
Sponsorships	<u>52,850</u>
Total Revenue and Support	<u>\$ 334,000</u>

**EXPENSES**

Program Services	\$ 261,865
Supporting Services	
Management and General	46,733
Fundraising	<u>25,387</u>
Total Expenses	<u>\$ 333,985</u>
Increase in Net Assets	\$ 15
Net Assets at Beginning of Year	<u>10,139</u>
Net Assets at End of Year	<u><u>\$ 10,154</u></u>

See Auditor's Report and Notes to the Financial Statements.

**CENTER FOR THE ARTS OF GREATER LAPEER, INC**  
**STATEMENT OF FUNCTIONAL EXPENSES – CASH BASIS**  
Year Ended June 30, 2017

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
		<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	
<u>EXPENSES</u>				
Advertising	\$ 21,580	\$ -0-	\$ -0-	\$ 21,580
Annual Giving Expenses			7,800	7,800
Artistic Fees	83,730			83,730
Fundraising Expenses			4,771	4,771
Gallery Expenses	21,774			21,774
Grant Expenses			219	219
Accounting		1,000		1,000
Bank Charges		4,582		4,582
Books, Subscriptions, Reference	1,042			1,042
Concession Supplies			3,770	3,770
Copier Rental		5,330		5,330
Depreciation Expense	2,911		323	3,234
Inspection Fees		875		875
Insurances	1,316	4,541	2,458	8,315
Interest Expense		719		719
Internet/Website	5,415			5,415
Janitorial Services		3,947		3,947
Janitorial Supplies		4,500		4,500
Liquor License			50	50
General Supplies	3,332			3,332
Office Supplies		1,280		1,280
Operating Licenses		70		70
Performances Licenses	2,174			2,174
Postage, Mailing Service		1,050	1,051	2,101
Repairs and Maintenance		4,146		4,146
Sales Tax		301		301
Service Fees	357			357
Software Expense		964		964
Organizational Memberships	704			704
Printing	2,896			2,896
Production Expenses	10,526			10,526
Salary	77,747	9,147	4,574	91,468
Taxes	6,296	740	371	7,407
Utilities	20,065	3,541		23,606
	<u>\$ 261,865</u>	<u>\$ 46,733</u>	<u>\$ 25,387</u>	<u>\$ 333,985</u>
Total Expenses				

See Auditor's Report and Notes to the Financial Statements.

**CENTER FOR THE ARTS OF GREATER LAPEER, INC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT POLICIES**

**NATURE OF ORGANIZATION** – Center for the Arts of Greater Lapeer, Inc. (the “Organization”) is a not-for-profit corporation founded in 2003. The Organization’s vision is to preserve and promote the arts in the greater Lapeer area. The Organization’s mission statement is “The Center for the Arts of Greater Lapeer, Inc. exists for the purpose to enlighten, encourage and support the arts and cultural activities within our communities, as well as preserve the Historic PIX Theatre and Gallery 194”.

**SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION** – The Organization reports its information regarding financial position and activities in accordance with the guidance in Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958, “*Not-for-Profit Entities*.” Accordingly, it uses three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**BASIS OF ACCOUNTING** – The Organization maintains its records on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Consequently, support and revenue are recognized when collected and expenses are recognized when they are paid.

**CASH AND CASH EQUIVALENTS** – The Organization considers checking, savings, and certificate investments with a maturity of six months or less to be cash equivalents whose carrying amount is a reasonable estimate of fair value.

**USE OF ESTIMATES** – The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**FUNCTION ALLOCATION OF EXPENSES** – The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses – cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Although the methods of allocation used are considered appropriate, other methods could be used that would produce a different amount.

**INCOME TAX STATUS** – The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and similar statutes of the State of Michigan. The Association is not currently under examination by the Internal Revenue Service or state authorities, however, fiscal year 2015 and later remain open.

**PROPERTY AND EQUIPMENT** – Property and equipment are recorded at cost and depreciated using the straight line method of depreciation over the useful life of the asset. The organization uses the IRS asset life tables and capitalization rules for new asset purchases.

**ADVERTISING COSTS** – Advertising and promotion are expensed as incurred. Advertising expenses for the year ended June 30, 2017 were \$21,580.

**DONATED SERVICES AND IN-KIND CONTRIBUTIONS** – Volunteers contribute significant amounts of time to the Organization’s program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

**NOTE 2 – PROGRAMMING SERVICES AGREEMENT** – The Organization contracts with the City of Lapeer – Downtown Development Association (DDA) to operate and maintain the property owned by the City at 194 W. Nepessing Street, Lapeer, Michigan. That property includes the Gallery 194, PIX Theatre and second story residential rental units. Under the agreement the Organization is paid management fees for those services. Additionally, the Organization is able to retain all of the rental income from activities within the building. During the fiscal year ended June 30, 2017, the DDA paid the Organization \$65,000 for those services.

See Auditor’s Report.