

SAUGATUCK CENTER FOR THE ARTS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Meyaard Tolman & Venlet p.c.  
Certified Public Accountants  
Zeeland, Michigan

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Saugatuck Center for the Arts, Inc.  
Saugatuck, Michigan

We have audited the accompanying financial statements of Saugatuck Center for the Arts, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **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 of 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 financial position of Saugatuck Center for the Arts, Inc. at December 31, 2020 and 2019 and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Meyaard Tolman & Venlet P.C.*

Meyaard Tolman & Venlet p.c.  
Certified Public Accountants  
August 25, 2021

**SAUGATUCK CENTER FOR THE ARTS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31,**

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,166,000	\$ 597,969
Certificate of deposit	-	101,825
Prepaid expenses	14,170	35,236
Total Current Assets	1,180,170	735,030
<b>PROPERTY AND EQUIPMENT:</b>		
Land and improvements	368,166	374,616
Building and improvements	2,506,390	2,410,323
Equipment	493,042	561,151
	3,367,598	3,346,090
Less accumulated depreciation	(1,477,149)	(1,391,916)
Net Property and Equipment	1,890,449	1,954,174
<b>OTHER ASSETS:</b>		
Investments (of which \$85,108 is endowed)	94,131	90,969
Liquor license	15,000	15,000
Total Other Assets	109,131	105,969
<b>TOTAL ASSETS</b>	<b>\$ 3,179,750</b>	<b>\$ 2,795,173</b>
<u><b>LIABILITIES AND NET ASSETS</b></u>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and payroll withholdings	\$ 26,697	\$ 26,833
Accrued payroll	21,531	20,373
Gift certificates payable	3,141	5,667
Deferred revenue	52,424	70,613
Current portion of long-term liabilities	59,658	54,800
Total Current Liabilities	163,451	178,286
<b>LONG-TERM LIABILITIES:</b>		
Notes payable	506,891	411,364
Less current portion shown above	(59,658)	(54,800)
Total Long-Term Liabilities	447,233	356,564
Total Liabilities	610,684	534,850
<b>NET ASSETS:</b>		
Net assets without donor restrictions	2,451,958	2,143,215
Net assets with donor restrictions	117,108	117,108
Total Net Assets	2,569,066	2,260,323
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,179,750</b>	<b>\$ 2,795,173</b>

See accompanying notes.

**SAUGATUCK CENTER FOR THE ARTS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31,**

	<u>2020</u>			<u>2019</u>		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>REVENUES</b>						
Contributions and grants	\$ 1,073,337	\$ 72,340	\$ 1,145,677	\$ 761,074	\$ 231,760	\$ 992,834
Memberships	33,198	-	33,198	44,026	-	44,026
Rent income	26,948	-	26,948	50,612	-	50,612
Fundraising events	131,440	-	131,440	301,079	-	301,079
Performances	45,752	-	45,752	134,394	-	134,394
Summer theatrical programs	41,083	-	41,083	661,257	-	661,257
Program and class fees	17,579	-	17,579	63,600	-	63,600
Concessions and liquor	31,128	-	31,128	125,091	-	125,091
EIDL grant	10,000	-	10,000	-	-	-
Paycheck Protection Program funding	104,300	-	104,300	-	-	-
Interest income	3,965	-	3,965	6,028	-	6,028
Unrealized gain on investments	1,588	-	1,588	4,244	-	4,244
Net assets released from restrictions	72,340	(72,340)	-	206,760	(206,760)	-
<b>Total Revenues</b>	<u>1,592,658</u>	<u>-</u>	<u>1,592,658</u>	<u>2,358,165</u>	<u>25,000</u>	<u>2,383,165</u>
<b>EXPENSES</b>	<u>1,283,915</u>	<u>-</u>	<u>1,283,915</u>	<u>2,036,887</u>	<u>-</u>	<u>2,036,887</u>
<b>CHANGE IN NET ASSETS</b>	308,743	-	308,743	321,278	25,000	346,278
<b>NET ASSETS, JANUARY 1</b>	<u>2,143,215</u>	<u>117,108</u>	<u>2,260,323</u>	<u>1,821,937</u>	<u>92,108</u>	<u>1,914,045</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 2,451,958</u>	<u>\$ 117,108</u>	<u>\$ 2,569,066</u>	<u>\$ 2,143,215</u>	<u>\$ 117,108</u>	<u>\$ 2,260,323</u>

See accompanying notes.

**SAUGATUCK CENTER FOR THE ARTS, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31**

	2020			2019				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Bank and credit card fees	\$ 7,695	-	-	\$ 7,695	\$ 18,660	-	-	\$ 18,660
Classes	33,252	-	-	33,252	66,511	-	-	66,511
Concessions and liquor	10,974	-	-	10,974	56,625	-	-	56,625
Contract labor	8,004	-	-	8,004	4,387	10,000	-	14,387
Depreciation and amortization	162,324	8,543	-	170,867	139,488	7,341	-	146,829
Dues and memberships	-	1,241	-	1,241	-	1,923	-	1,923
Employee benefits	15,778	3,226	1,797	20,801	13,321	2,214	2,811	18,346
Exhibitions	34,641	-	-	34,641	49,176	-	-	49,176
Fundraising events	-	-	17,365	17,365	-	-	75,086	75,086
Garden expenses	1,720	-	-	1,720	9,637	-	-	9,637
Farmer's market	13,270	-	-	13,270	2,339	-	-	2,339
Insurance	13,786	726	-	14,512	13,315	701	-	14,016
Interest expense	17,771	935	-	18,706	20,116	1,059	-	21,175
Marketing	37,747	-	-	37,747	22,627	-	-	22,627
Office supplies	3,786	582	1,456	5,824	5,602	860	2,155	8,617
Payroll taxes	35,889	7,339	4,088	47,316	43,646	5,980	8,092	57,718
Performances	49,961	-	-	49,961	101,644	-	-	101,644
Postage and mailings	448	224	448	1,120	1,370	685	1,370	3,425
Printing	4,555	506	-	5,061	5,362	596	-	5,958
Professional development	-	3,506	-	3,506	-	2,115	-	2,115
Professional services	2,752	7,341	-	10,093	-	5,620	-	5,620
Rental related expenses	40	-	-	40	990	-	-	990
Technology	1,180	112	112	1,404	781	74	74	929
Salaries and wages	441,302	90,239	50,268	581,809	494,972	82,280	104,434	681,686
Summer theatrical expenses	100,289	-	-	100,289	565,368	-	-	565,368
Telephone and internet	2,987	284	284	3,555	3,481	332	332	4,145
Travel and meetings	3,827	-	-	3,827	7,231	-	-	7,231
Utilities, repairs, refuse and cleaning	74,763	4,552	-	79,315	70,204	3,900	-	74,104
<b>Total</b>	<b>\$ 1,078,741</b>	<b>\$ 129,356</b>	<b>\$ 75,818</b>	<b>\$ 1,283,915</b>	<b>\$ 1,716,853</b>	<b>\$ 125,680</b>	<b>\$ 194,354</b>	<b>\$ 2,036,887</b>
<b>% of total expenses</b>	<b>84.02%</b>	<b>10.07%</b>	<b>5.91%</b>	<b>100.00%</b>	<b>84.29%</b>	<b>6.17%</b>	<b>9.54%</b>	<b>100.00%</b>

See accompanying notes.

**SAUGATUCK CENTER FOR THE ARTS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31,**

	<b>2020</b>	<b>2019</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 308,743	\$ 346,278
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	170,867	146,829
Unrealized (gain) loss on investments	(1,588)	(4,244)
(Increase) decrease:		
Prepaid expenses	21,066	2,750
Increase (decrease) in accounts payable and accrued expenses	(19,693)	35,613
Net Cash Provided (Used) By Operating Activities	479,395	527,226
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Investment in property and equipment	(107,142)	(290,230)
Maturity of (investment in) certificate of deposit	101,825	(101,825)
Purchase of investments (including reinvested dividends)	(1,574)	(2,388)
Net Cash Provided (Used) By Investing Activities	(6,891)	(394,443)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Proceeds from note payable (EIDL)	149,900	-
Payments on note payable	(54,373)	(51,905)
Net Cash Provided (Used) By Financing Activities	95,527	(51,905)
Net change in cash and cash equivalents	568,031	80,878
Cash and cash equivalents, beginning	597,969	517,091
Cash and cash equivalents, ending	\$ 1,166,000	\$ 597,969

Interest of \$18,706 and \$21,175 was paid during the years ended December 31, 2020 and 2019, respectively.

No income taxes were paid.

See accompanying notes.



**SAUGATUCK CENTER FOR THE ARTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature Of Activities** - The mission of Saugatuck Center for the Arts, Inc. ("the Organization") is to enhance the performing, cinematic, and visual arts; arts education; and cultural experiences available to adults and children in the greater lakeshore community. It is located in Saugatuck, Michigan. The Organization's support comes primarily from individual, foundation and corporate contributions, rent income, and program admission fees.

**Income Tax Exemption** - The Organization is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

**Basis of Presentation** - The accompanying financial statements have been prepared on the accrual basis of accounting. The financial statements are presented in accordance with the provisions of FASB ASC 958, *Not-for-Profit Entities*, and the AICPA Audit and Accounting Guide for Not-for-Profit Organizations (the "guide").

Under the provisions of FASB ASC 958 and the Guide, net assets and revenues, expenses, gains and losses are classified according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (ie., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

**Cash and Cash Equivalents** - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Compensated absences** - The Organization has not accrued compensated absences since the amount is deemed to be immaterial.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property, Equipment and Depreciation** - Property and equipment are stated at cost or, if donated, at the fair market value at the date of the gift. Depreciation is computed using a straight-line method over the estimated useful lives of the assets.

**Marketing** - General marketing costs are expensed as incurred. Marketing costs related to performances are generally expensed in the same period in which the performance takes places.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited as detailed in the statement of functional expenses. Fundraising costs include both direct and indirect costs related to the solicitation of contributions from the general public.

**Donated Services and Property and Equipment**

Professional services - Donated professional services are recognized as contributions in accordance with *Accounting Standards Codification*, if the professional services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been recognized in the statement of activities because there were no contributions meeting the criteria for recognition.

Property and equipment - Contributions of property and equipment are reflected in the accompanying financial statements to the extent that they are objectively measurable and represent program or support services expenditures that would otherwise be incurred by the Organization. The Organization received \$0 and \$0 of donated property and equipment in the years ended December 31, 2020 and 2019, respectively. The Organization received \$0 and \$0 of other inkind contributions during 2020 and 2019, respectively.

Volunteer services - The Organization also received a significant amount of donated services from unpaid volunteers who assisted in fund raising and special projects. No amounts have been recognized in the statement of activities because the contributions do not meet the criteria for recognition.

**FAIR VALUE**

The Organization adopted the Financial Accounting Standard Board's (FASB) standard which provides a framework for measuring fair value under generally accepted accounting principles. The Standard defines *fair value* as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Under FASB ASC 820, the Organization groups its investments at fair value into three levels (termed the fair value hierarchy), based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted price in an active market for an identical investment. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange, U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets, and money market funds. All of the Organization's investments are classified as Level 1.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. The Organization holds no securities classified as Level 2.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. The Organization holds no securities classified as Level 3.

Unrealized, as well as realized gains and losses on investments are included in the change in net assets in the accompanying financial statements. Investment return that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the investment return is recognized.

The Organization invests in publicly traded securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that change in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

## ENDOWMENT FUND

In prior years, the Organization received \$85,108 in donor restricted funds, to be used for establishing an endowment fund called The Daniel J. Reid Center Stage Internship Program. The Organization's current spending policy is one in which the Board will approve the use of earnings on endowment assets for purposes specified by the donor. As of December 31, 2020 or 2019, no amounts were appropriated from the donor-restricted endowment. The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing and investment power of the endowment assets.

The endowment funds are in mutual funds. For the years ended December 31, 2020 and 2019, the changes in endowment investments are as follows:

	2020	2019
Balance, January 1	\$ 90,969	\$ 84,337
Purchases of investments	-	-
Dividend and interest income	1,574	2,388
Unrealized gains (losses)	1,588	4,244
Balance, December 31	<u>\$ 94,131</u>	<u>\$ 90,969</u>

## INVESTMENTS

The following are the major categories of investments measured at fair value on a recurring basis at December 31, 2020 and 2019. (All of these investments are classified as Level 1)

	2020	2019
Exchange-traded products	\$ 71,655	\$ 70,081
Cash and cash equivalents	22,476	20,888
Balance, December 31	<u>\$ 94,131</u>	<u>\$ 90,969</u>

## NET ASSETS WITH DONOR RESTRICTIONS

At December 31, the Organization's net assets with donor restrictions consist of:

	2020	2019
Contributions restricted for specific programs	\$ 32,000	\$ 32,000
Endowment	85,108	85,108
Balance, December 31	<u>\$ 117,108</u>	<u>\$ 117,108</u>

## RENT INCOME

The Organization rents portions of the building for events and other short-term rental use. Total rental income was \$26,948 and \$50,612 for the years ended December 31, 2020 and 2019, respectively.

## NOTES PAYABLE

At December 31, 2020, notes payable consist of:

Note payable – bank, with outstanding borrowings of \$356,991. Monthly payments are \$6,090, including 4.75% interest. The note matures July 11, 2022 and is secured by real estate.

Note payable – U.S. Small Business Administration. In May 2020, the Organization received an Economic Injury Disaster Loan (“EIDL”) in the amount of \$149,900. The loan is for 30 years, with monthly payments of \$641 starting in May 2021, including 2.75% interest.

Maturities are as follows:  
Year ending December 31,

2021	\$ 59,658
2022	303,308
2023	3,782
2024	3,887
2025	3,955
Thereafter	132,301
Total	<u>\$ 506,891</u>

## LIQUIDITY

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Financial assets at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$1,166,000	\$ 597,969
Certificate of deposit	-	101,825
Investments	<u>94,131</u>	<u>90,969</u>
Total financial assets at year-end	1,260,131	790,763
Less donor-restricted for future grants	32,000	32,000
Less donor-restricted for endowment	<u>85,108</u>	<u>85,108</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,143,023</u>	<u>\$ 673,655</u>

## **COVID-19 / CORONAVIRUS**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date these financial statements were available to be issued, the Organization remains operational. We cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Organization's financial position, results of activities, or cash flows in the future. Effective June 22, 2021, the State of Michigan removed all of its COVID-related restrictions.

## **PAYCHECK PROTECTION PROGRAM ("PPP") LOAN AND LOAN FORGIVENESS**

In April 2020, the Organization received a PPP loan for \$104,300 from Macatawa Bank. The funds were primarily used for payroll costs during spring and summer 2020. The loan was forgiven in November 2020 and is reported as revenue in these financial statements.

## **SUBSEQUENT EVENTS**

Subsequent events were evaluated through August 25, 2021, which is the date the financial statements were available to be issued.

In February 2021, the Organization received a second PPP loan in the amount of \$142,000. The loan was forgiven August 9, 2021.

In March 2021, the Organization received a \$40,000 Michigan Stages Survival grant.

In July 2021, the Organization was awarded a \$345,260 Shuttered Venue Operations Grant.

The Organization submitted documentation to receive Employee Retention Credits ("ERC") of \$70,949 and \$58,881 for the first and second quarters of 2021, respectively.