

***MCLEAN COUNTY ARTS CENTER***

***ANNUAL FINANCIAL REPORT***

***For the year ended August 31, 2021***



**MCLEAN COUNTY ARTS CENTER**

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**August 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of McLean County Arts Center

We have audited the accompanying financial statements of McLean County Arts Center (a nonprofit organization), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows 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 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.

### Auditors' 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 financial position of McLean County Arts Center as of August 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.**

*MCK CPAs & Advisors*

**Bloomington, Illinois  
August 16, 2022**

**MCLEAN COUNTY ARTS CENTER**

**STATEMENT OF FINANCIAL POSITION**

**August 31, 2021**

	2021
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and cash equivalents	\$ 106,958
Endowment money market	<u>26,575</u>
Total current assets	<u>133,533</u>
Property and Equipment:	
Land	50,000
Land improvements	30,432
Building	691,275
Equipment	63,499
Less: Accumulated depreciation	<u>(661,554)</u>
Net property and equipment	<u>173,652</u>
Other Assets:	
Endowment investments	2,162,589
Permanent collection	<u>70,000</u>
Total other assets	<u>2,232,589</u>
TOTAL ASSETS	<u><u>2,539,774</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
Current Liabilities:	
Credit card payables	8,938
Accrued expenses	<u>169</u>
Total current liabilities	<u>9,107</u>
Net Assets:	
Without donor restrictions	341,503
Without donor restrictions - board designated	<u>2,189,164</u>
Total net assets	<u>2,530,667</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,539,774</u></u>

See Notes to Financial Statements.

**MCLEAN COUNTY ARTS CENTER**

**STATEMENT OF ACTIVITIES**

**Year Ended August 31, 2021**

2021

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Net assets without donor restrictions:	
Support and revenue:	
Tuition income	\$ 54,031
Gallery sales	16,386
Membership dues	33,521
Sponsorships	18,725
Grants	59,812
Contributions	80,734
Special events	41,103
Investment income	480,441
PPP loan forgiveness	24,200
Other income	3,914
	<hr/>
Total support and revenue	812,867
	<hr/>
Expenses:	
Program services	
Art programming	275,650
Support services	
Management and general	78,451
Fundraising	11,516
	<hr/>
Total expenses	365,617
	<hr/>
Change in net assets without donor restrictions	447,250
Net assets without donor restrictions, beginning of year	<hr/> 2,083,417
Net assets without donor restrictions, end of year	<hr/> <hr/> \$ 2,530,667

See Notes to Financial Statements.

**MCLEAN COUNTY ARTS CENTER**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended August 31, 2021**

	Program Services		Support Services		Total Expenses
	Art Programming	Management and General	Fundraising		
Salaries	\$ 102,648	31,078			133,726
Artist expense	26,416				26,416
Professional fees		3,602			3,602
Grantwriting expense	3,257	1,047	10,043		14,347
Supplies	11,545	1,283			12,827
Licenses and permits		10			10
Postage and shipping	4,316		227		4,543
Occupancy	18,511	6,170			24,681
Taxes		1,136			1,136
Telephone	2,919	2,919			5,838
Fees and charges	4,985	14,956			19,941
Printing	8,721		1,246		9,967
Production/Exhibition	19,929	2,214			22,143
Travel	444	111			555
Office expense	6,499				6,499
Repairs and maintenance	21,650	2,406			24,056
Rental Expense	3,026				3,026
Conferences	84				84
Catering	1,067	267			1,334
Advertising	2,764				2,764
Insurance	8,766	2,922			11,688
Payroll tax	8,089	2,547			10,636
Dues and subscriptions		5,783			5,783
Honoraria	3,304				3,304
Other	8				8
Depreciation	16,702				16,702
	<u>\$ 275,650</u>	<u>78,451</u>	<u>11,516</u>		<u>365,617</u>

See Notes to Financial Statements.

**MCLEAN COUNTY ARTS CENTER**

**STATEMENT OF CASH FLOWS**

**Year Ended August 31, 2021**

	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets without donor restrictions	\$ 447,250
Adjustments to reconcile change in net assets without donor restrictions to net cash flows from operating activities:	
Depreciation	16,702
Net realized and unrealized gain on investments	(432,282)
PPP loan forgiveness	(24,200)
Changes in assets and liabilities:	
Increase in credit card payables	2,542
Increase in accrued expenses	171
	<hr/>
<b>Net cash flows from operating activities</b>	<b>10,184</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of investments	(179,052)
Proceeds from investments	229,733
Purchase of property and equipment	(33,392)
	<hr/>
<b>Net cash flows from investing activities</b>	<b>17,289</b>
Net increase (decrease) in cash and cash equivalents	27,473
Cash and cash equivalents, beginning of year	79,485
	<hr/>
Cash and cash equivalents, end of year	<u><u>\$ 106,958</u></u>

See Notes to Financial Statements.

## MCLEAN COUNTY ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021

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#### Note 1 - Summary of Activities and Significant Accounting Policies

**Summary of Activities:** The McLean County Arts Center (the “Center”) presents approximately sixteen exhibitions yearly, including the annual Holiday Treasures exhibition and the annual Amateur Competition and Exhibition which for over 70 years has showcased the best amateur artists from the region. The Center also offers art classes, artist lectures, art workshops for children and adults and associated performing and literary arts presentations. The community is also offered opportunities to purchase current artwork through the Center’s Sales and Rental Gift Gallery.

**Basis of Accounting:** The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation:** The Organization is required to report information regarding its financial position and activities 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 not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets whose use has been limited by donors to a specific time period or purpose or, whose use have been restricted by donors in perpetuity. When a restriction is met or 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 restrictions. For the year ended August 31, 2021, the Center did not have any net assets with donor restrictions.

**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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Income Tax Status:** The McLean County Arts Center is organized as a not-for-profit organization under the laws of the State of Illinois. The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation by the Internal Revenue Service.

**Cash and Cash Equivalents:** For purposes of the Statement of Cash Flows, the Center considers all cash and investment accounts available for current use with an original maturity of three months or less to be cash equivalents.

**Investments:** Investments in marketable securities are carried at fair value. Unrealized gains or losses are recognized reflecting the differences between cost or amortized cost and market value of the investment. Amortized cost includes adjustments for accretion of discounts and amortization of premiums of debt securities over the remaining periods until maturity of the securities. Realized gains or losses are recognized reflecting the difference between the proceeds from sale of the investments and the cost or amortized cost of the investments.

**MCLEAN COUNTY ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**August 31, 2021**

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**Note 1 - Summary of Activities and Significant Accounting Policies, continued**

**Property and Equipment:** Property and equipment are stated at cost. The fair value of donated property and equipment is similarly capitalized. Maintenance and repairs are expensed as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

When properties are retired or otherwise disposed, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting profit or loss is reflected in income in the period incurred.

**Collections:** The Center owns an art collection acquired principally through donations. Collection items are recorded at cost if purchased and at fair value at date of accession if donated. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions. Collection items are protected, kept unencumbered, cared for, and preserved. For the year ended August 31, 2021, artwork is recorded at its estimated fair market value of \$ 70,000 based on an appraisal conducted during 2018.

**Contributions:** Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

**Advertising:** Advertising costs are expensed as incurred. Advertising expense for the year ended August 31, 2021 was \$ 2,764.

**Board Designated Net Assets:** The Board of Directors has designated a portion of net assets without donor restrictions to be set aside for specific purposes. See Note 5 for additional information.

**Note 2 - Cash and Cash Equivalents and Deposits in Excess of Insured Limits**

The Center maintains cash balances at two financial institutions located in Bloomington, Illinois. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$ 250,000. At August 31, 2021, the Center's cash balances were fully insured.

Cash and cash equivalents at August 31, 2021 consisted of the following:

Checking accounts	\$ 106,909
Petty cash	<u>49</u>
Total	<u>\$ 106,958</u>

**MCLEAN COUNTY ARTS CENTER**

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**August 31, 2021**

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**Note 3 - Investments**

The following summarizes the Center's investments as of August 31, 2021:

	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$ 26,575	26,575
Fixed income	206,915	197,228
Equities and satellites	1,955,674	1,227,939
	<hr/>	<hr/>
Total investments	\$ 2,189,164	1,451,742

The following summarizes the investment return for the year ended August 31, 2021:

Interest and dividend income	\$ 48,159
Net realized gain	57,998
Net unrealized gain	<hr/> 374,284
	<hr/>
Net investment return	<u>\$ 480,441</u>

The investments listed above are uninsured and uncollateralized for the year ended August 31, 2021.

**Note 4 - Fair Value Measurement**

The Center follows the fair value accounting guidance related to financial assets and liabilities. The guidance defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. It also establishes a fair value hierarchy that prioritizes the inputs used to measure fair value:

*Level 1:* Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

*Level 2:* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3:* Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

## MCLEAN COUNTY ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS (Continued) August 31, 2021

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#### Note 4 - Fair Value Measurement, continued

Financial assets and liabilities measured at their fair value on a recurring basis during the year ended August 31, 2021:

<u>Assets</u>	Fair Value			
	8/31/21	Level 1	Level 2	Level 3
Money market funds	\$ 26,575	26,575		
Fixed income	206,915	206,915		
Equities and satellites	1,955,674	1,955,674		
Total	<u>\$ 2,189,164</u>	<u>2,189,164</u>		

For the above noted money market funds, fixed income, and equities and satellites, the Center used quoted prices in active markets for identical assets to determine their fair value. Thus they are considered to be Level 1 instruments. There was no change in the valuation technique during the year ended August 31, 2021.

There were no assets or liabilities measured at fair value on a nonrecurring basis during the year ended August 31, 2021.

#### Note 5 - Board Designated Net Assets

The Board of Directors has designated net assets without donor restrictions that were received from a friend of the Center at the time of her death as a general endowment fund to support the mission of the Center. Since these net assets resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restriction.

The Center does not currently have a formal investment policy. However, per the trust agreement that was set up for the endowment, distributions of the net income and principle shall be made, even to the extent of exhausting principle, to further the charitable purpose of the Center, provide for capital improvements, or assist in times of financial hardship. During the year ended August 31, 2021, monthly distributions of \$ 7,000 were made from the endowment to the Center for general operating use.

#### Note 6 - Revenues

**Revenue Recognition:** As described in Note 1, the Center is supported through revenues from classes and workshops, memberships, and gallery sales. The Center generally recognizes all revenue at a point in time. The Center is not serving as an agent, nor has it arranged for another entity to transfer the goods and services.

Economic factors impact the amount, timing, and uncertainty of revenue and cash flows. For example, the timing and uncertainty of receiving payment for membership dues is affected by an individual's current ability to pay. Whereas, timing and payment for the classes, workshops, and gallery sales is more certain as payment is generally made before, or at the time of, the event.

## MCLEAN COUNTY ARTS CENTER

### NOTES TO FINANCIAL STATEMENTS (Continued) August 31, 2021

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#### Note 6 - Revenues, continued

**Performance Obligations:** For the membership dues, the Center's contracts with customers have one bundled performance obligation and a contract duration of one year. The performance obligation is typically satisfied as the service is rendered. Membership dues, which range from \$ 25 to \$ 1,000, include the following benefits depending on the membership level: email notifications of all Center activities, free attendance to artist receptions, discounts on classes, gift shop purchases, and facility rental, and invitation only events. The membership dues are due at the first of the membership year, and are recognized at the beginning of the membership year. For the tuition income and gallery sales, those contracts with customers have one performance obligation and a contract duration of less than a day to a few months. The performance obligation is typically satisfied upon completion of the event. These items are charged and recognized in the period of the event or at registration.

The transaction price for the membership dues contains variable consideration in that the dues rate is based on which membership level you select. The transaction price for the tuition income and gallery sales may also contain variable consideration as the supplies for each class are different, and each artist has different fees for their artwork. The estimate of variable consideration is not constrained.

**Membership Dues:** The Center charges different amounts for membership dues depending on the membership level. Dues start at \$ 25 and increase to \$ 1,000 depending on the level of benefits the member desires. The Center recognizes the full membership amount at the beginning of the membership year. Revenue recognized from such sources was \$ 33,521 for the year ended August 31, 2021.

**Tuition Income and Gallery Sales:** The Center also charges different amounts for classes and workshops and gallery sales depending on the individual class or workshop, the projected cost of the event, and the artist's fees. Revenue recognized from tuition income and gallery sales was \$ 54,031 and \$ 16,386, respectively, for the year ended August 31, 2021.

#### Note 7 - Accounting for Uncertain Tax Positions

The McLean County Arts Center files a Form 990 (Return of Organization Exempt from Income Tax) annually. There were no uncertain tax benefits identified and recorded as a liability as of August 31, 2021. Forms 990 filed by the McLean County Arts Center are closed to examination by taxing authorities for the years before 2018. Returns are generally subject to examination for three years after they have been filed.

#### Note 8 - Liquidity and Availability of Resources

The Center has \$ 133,533 of financial assets available within one year of the Statement of Financial Position date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$ 106,958 and money market funds of \$ 26,575. Best practices suggest maintaining financial assets on hand to meet 60 days of normal operating expenses. The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## **MCLEAN COUNTY ARTS CENTER**

### **NOTES TO FINANCIAL STATEMENTS (Continued)** **August 31, 2021**

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#### **Note 9 - Method of Cost Allocation**

The costs of providing various programs and supporting services are summarized on a functional basis in the Statement of Activities. Expenses are directly charged to the appropriate activity, where feasible. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, they require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include all operating expenses. These expenses are allocated among the programs and supporting services based on an estimated percentage of what function is benefited. The Center reevaluates its allocation method each year to determine if there are adjustments that are necessary to the allocation method based on actual activities conducted during the year.

#### **Note 10 - U.S. Small Business Administration PPP Term Loan**

In April 2020, the Center received a loan under the U.S. Small Business Administration's Payroll Protection Program (PPP). This program was established to assist entities affected by the COVID-19 coronavirus pandemic. During the fiscal year ended August 31, 2021, management applied for and received 100% forgiveness of the PPP loan. Therefore, the \$ 24,200 has been recorded as revenue in the Statement of Activities for the fiscal year ended August 31, 2021.

#### **Note 11 - Subsequent Events**

The McLean County Arts Center has evaluated events occurring subsequent to August 31, 2021 as to their potential impact to the financial statements through August 16, 2022, which is the date the financial statements were available to be issued.