

Audited Financial Statements

St. Cecilia Music Center

*Years Ended June 30, 2021 and 2020
with Report of Independent Auditors*



St. Cecilia Music Center
Audited Financial Statements
Years Ended June 30, 2021 and 2020

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Report of Independent Auditors

Board of Directors
St. Cecilia Music Center
Grand Rapids, Michigan

We have audited the accompanying financial statements of St. Cecilia Music Center (a not-for-profit 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.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 St. Cecilia Music Center as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Andrews Hooper Pavlik PLLC

Grand Rapids, Michigan
November 5, 2021

St. Cecilia Music Center

Statements of Financial Position

	June 30	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents:		
Operating	\$ 223,992	\$ 314,499
Restricted	1,026,373	765,343
Total cash and cash equivalents	1,250,365	1,079,842
Accounts receivable	1,756	5,887
Grants receivable, current portion	38,600	104,500
Unconditional promises to give, current portion	-	15,500
Prepaid expenses	24,070	20,633
Total current assets	1,314,791	1,226,362
Property and equipment, net	2,950,163	3,173,935
Art collection (Note 1)	-	-
Total property and equipment, net	2,950,163	3,173,935
Grants receivable, net of current portion	20,000	55,000
Investments	2,267,880	1,805,727
Beneficial interest in assets held by others	259,869	211,611
Total assets	<u>\$ 6,812,703</u>	<u>\$ 6,472,635</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 8,954	\$ 8,824
Wages and benefits payable	27,198	28,695
Unearned revenue	121,448	77,288
Total current liabilities	157,600	114,807
Paycheck Protection Program loan	-	106,250
Total liabilities	157,600	221,057
Net assets:		
Without donor restrictions	3,824,644	3,827,512
With donor restrictions	2,830,459	2,424,066
Total net assets	6,655,103	6,251,578
Total liabilities and net assets	<u>\$ 6,812,703</u>	<u>\$ 6,472,635</u>

St. Cecilia Music Center

Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Donations and grants	\$ 322,617	\$ 113,986	\$ 436,603
Education	34,764	-	34,764
Performance	112,307	-	112,307
Building	51,562	-	51,562
Interest and dividends	739	38,483	39,222
Grants - donor advised funds	14,024	-	14,024
Paycheck Protection Program loan forgiveness	192,500	-	192,500
Net investment return (loss)	(9,438)	384,694	375,256
Change in beneficial interest in assets held by others	-	58,838	58,838
Net assets released from restrictions	179,028	(179,028)	-
Beneficial interest released from restriction	10,580	(10,580)	-
Total support and revenue	908,683	406,393	1,315,076
Expenses:			
Program expenses	662,272	-	662,272
Supporting expenses:			
Management and general	122,143	-	122,143
Development	127,136	-	127,136
Total expenses	911,551	-	911,551
Change in net assets	(2,868)	406,393	403,525
Net assets – beginning of year	3,827,512	2,424,066	6,251,578
Net assets – end of year	\$ 3,824,644	\$ 2,830,459	\$ 6,655,103

See accompanying notes.

St. Cecilia Music Center

Statement of Activities

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Donations and grants	\$ 606,636	\$ 5,896	\$ 612,532
Special events, net of expenses of \$25,562	28,267	-	28,267
Education	156,138	-	156,138
Performance	372,316	-	372,316
Building	112,784	-	112,784
Interest and dividends	4,666	50,816	55,482
Grants - donor advised funds	14,825	-	14,825
Net investment return (loss)	(10,696)	24,360	13,664
Change in beneficial interest in assets held by others	-	(10,699)	(10,699)
Net assets released from restrictions	218,022	(218,022)	-
Beneficial interest released from restriction	24,025	(24,025)	-
Total support and revenue	1,526,983	(171,674)	1,355,309
Expenses:			
Program expenses	1,113,221	-	1,113,221
Supporting expenses:			
Management and general	118,839	-	118,839
Development	154,746	-	154,746
Total expenses	1,386,806	-	1,386,806
Change in net assets	140,177	(171,674)	(31,497)
Net assets – beginning of year	3,687,335	2,595,740	6,283,075
Net assets – end of year	\$ 3,827,512	\$ 2,424,066	\$ 6,251,578

St. Cecilia Music Center

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Expenses				Supporting Expenses		
	Performance	Education	Historic Building Preservation	Total Program	Management and General	Development	Total Expenses
Salaries and benefits	\$ 139,020	\$ 14,363	\$ 73,617	\$ 227,000	\$ 66,403	\$ 94,957	\$ 388,360
Artist fees and concert expenses	61,845	-	-	61,845	-	-	61,845
Music education expenses	-	4,809	-	4,809	-	-	4,809
Occupancy	3,064	766	102,203	106,033	2,987	1,084	110,104
Professional services	-	-	-	-	29,972	-	29,972
Printing and office	6,881	4,356	3,361	14,598	4,550	20,294	39,442
Information technology	2,706	5,412	2,706	10,824	5,412	5,412	21,648
Other	-	-	-	-	5,402	2,698	8,100
Depreciation	7,608	1,902	227,653	237,163	7,417	2,691	247,271
Total expenses	<u>\$ 221,124</u>	<u>\$ 31,608</u>	<u>\$ 409,540</u>	<u>\$ 662,272</u>	<u>\$ 122,143</u>	<u>\$ 127,136</u>	<u>\$ 911,551</u>

See accompanying notes.

St. Cecilia Music Center

Statement of Functional Expenses

Year Ended June 30, 2020

	<u>Program Expenses</u>				<u>Supporting Expenses</u>		
	<u>Performance</u>	<u>Education</u>	<u>Historic Building Preservation</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Development</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 151,233	\$ 167,412	\$ 66,393	\$ 385,038	\$ 63,378	\$ 105,055	\$ 553,471
Artist fees and concert expenses	281,121	-	-	281,121	-	-	281,121
Music education expenses	-	53,807	-	53,807	-	-	53,807
Occupancy	8,127	33,644	84,765	126,536	3,771	1,368	131,675
Professional services	-	-	-	-	31,589	-	31,589
Printing and office	12,285	9,504	2,430	24,219	4,047	26,310	54,576
Information technology	2,196	4,393	2,196	8,785	4,393	4,393	17,571
Other	-	-	-	-	4,352	14,968	19,320
Depreciation	15,255	63,147	155,313	233,715	7,309	2,652	243,676
Total expenses	<u>\$ 470,217</u>	<u>\$ 331,907</u>	<u>\$ 311,097</u>	<u>\$ 1,113,221</u>	<u>\$ 118,839</u>	<u>\$ 154,746</u>	<u>\$ 1,386,806</u>

See accompanying notes.

St. Cecilia Music Center

Statements of Cash Flows

	Year Ended June 30	
	2021	2020
Operating activities		
Change in net assets	\$ 403,525	\$ (31,497)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	247,271	243,676
In-kind donations of property and equipment	(22,000)	-
Change in beneficial interest in assets held by others	(58,838)	10,699
Net appreciation on investments	(375,256)	(13,664)
Change in assets and liabilities:		
Accounts receivable	4,131	5,911
Grants receivable	100,900	138,300
Unconditional promises to give	15,500	6,054
Prepaid expenses	(3,437)	8,045
Accounts payable and wages and benefits payable	(1,367)	925
Unearned revenue	44,160	(40,641)
Net cash from operating activities	354,589	327,808
Investing activities		
Net reinvestment of investments	(86,897)	157,906
Purchases of property and equipment	(1,499)	(28,380)
Net cash from investing activities	(88,396)	129,526
Financing activities		
Proceeds received from beneficial interest in assets held by others	10,580	24,025
Proceeds from Paycheck Protection Program loan	-	106,250
Forgiveness of Paycheck Protection Program loan	(106,250)	-
Net cash from financing activities	(95,670)	130,275
Net change in cash and cash equivalents	170,523	587,609
Cash and cash equivalents – beginning of year	1,079,842	492,233
Cash and cash equivalents – end of year	<u>\$ 1,250,365</u>	<u>\$ 1,079,842</u>
Cash and cash equivalents as shown on the Statements of Financial Position		
Cash and cash equivalents – operating	\$ 223,992	\$ 314,499
Cash and cash equivalents – restricted	1,026,373	765,343
	<u>\$ 1,250,365</u>	<u>\$ 1,079,842</u>

St. Cecilia Music Center
Notes to Financial Statements

June 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

St. Cecilia Music Center (Center) is a not-for-profit organization with no religious affiliation and is the oldest arts organization in Western Michigan. It was formed by nine women in 1883 and has been in continuous operation since that time. The mission of the Center is to promote the appreciation, study, and performance of music.

St. Cecilia Music Center is home to the 650-seat Royce Auditorium, which is known throughout the country as an acoustically superb concert venue. The Center presents renowned touring artists in three different concert series. The Jazz series brings in-demand jazz artists and ensembles for a one-night performance. The Chamber Music Society of Lincoln Center series is a partnership with the organization of the same name in New York. The Chamber Music Society is the most prestigious chamber music organization in the country and their artistic directors, David Finckel and Wu Han, program the series at the Center. The Acoustic Café series is a partnership with the nationally syndicated radio show of the same name and its host, Rob Reinhart. This series brings nationally touring folk musicians and bands to perform at the Center and tape an interview with Rob Reinhart on site to air on over 150 stations throughout the United States.

The Center has a School of Music that provides children and adult programs which build on the fundamentals of musical excellence. These programs are available on scholarship for those in need and include after-school orchestras, band, music theory classes, camps, and music clubs. In addition, the Center offers no-cost education programs in certain Grand Rapids Public Schools at the elementary and middle school levels.

The Center also preserves the landmark building which it owns. The building is located in downtown Grand Rapids, Michigan, and is available to the community for rental.

Method of Accounting

The records of the Center are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation and Net Asset Classifications

The financial statements of the Center have been prepared in accordance with U.S. GAAP, which require the Center to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization.

St. Cecilia Music Center

Notes to Financial Statements

June 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Financial Statement Presentation and Net Asset Classifications (continued)

These net assets may be used at the discretion of the Center's management and the Board of Directors. For reporting purposes, it is the Center's policy to record items with donor restrictions which are satisfied within the same reporting period as net assets without donor restrictions.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Once the restrictions have been met, the contributions will be released from their restrictions and reported in the statements of activities as net assets released from restriction.

Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The original contributions represent funds that contain donor-imposed restrictions that stipulate the resources be maintained in perpetuity, but permit the Center to use or expend part or all of the income derived from the donated assets for specified purposes.

Cash and Cash Equivalents

The Center considers all highly liquid investments with initial maturities of one year or less to be cash equivalents. Restricted cash and cash equivalents consist of cash and cash equivalents that relate to contributions where the donor restricted the use of the funds for a designated purpose or board-designated restrictions for an operating reserve, a building and capital asset reserve, and a COVID-19 reserve.

The first \$250,000 of deposits held at each institution is insured by the Federal Deposit Insurance Corporation. The Center had \$563,890 of uninsured funds as of June 30, 2021 and \$249,983 of uninsured funds as of June 30, 2020. It is the opinion of management that the cash deposits of the Center are subject to minimal risk.

Grants Receivable and Unconditional Promises to Give

Grants receivable and unconditional promises to give are recorded at fair value as of the date received or pledged, and recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional grants receivable and promises to give are recognized when the conditions on which they depend are substantially met.

St. Cecilia Music Center
Notes to Financial Statements

June 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Grants Receivable and Unconditional Promises to Give (continued)

Grants receivable and unconditional promises to give are stated at the amount management expects to collect from balances outstanding. Management has reviewed the balances that comprise grants receivable and unconditional promises to give and maintains reserves for potential uncollectible grants receivable and unconditional promises to give. Balances that are deemed uncollectible are written off on an annual basis through a charge to expense.

Property and Equipment

All purchased or donated property and equipment in excess of \$1,000 are capitalized. Purchased property and equipment are stated at cost. Donated property and equipment are stated at the estimated fair value on the date received and are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as support with donor restrictions.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

Art Collection

The Center has a collection of artwork valued at approximately \$447,300 as of June 30, 2021 and 2020. The Center has acquired this collection through donor contributions and the collection is showcased throughout the Center's building. The Center has adopted a policy of not recording this collection in the statements of financial position.

Investments

Investments are measured at fair value. Realized and unrealized gains and losses are presented in the statements of activities as a change in net assets without donor restrictions, unless designated as restricted by the donor. The Center maintains its investments at one financial institution.

The account at this institution is protected by the Securities Investor Protection Corporation (SIPC). The SIPC provides up to \$500,000 of protection per investor. Investments, at times, may exceed the SIPC insured limits. It is the opinion of management that the investments of the Center are subject to minimal risk.

St. Cecilia Music Center

Notes to Financial Statements

June 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Center utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Center is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Unearned Revenue

Unearned revenue represents ticket sales and sponsorships for the upcoming season, school tuition received in advance, and deposits received for building rentals for future dates. For the year ended June 30, 2021, unearned revenue was \$121,448 which included \$4,100 for concerts that were rescheduled for the subsequent year. For the year ended June 30, 2020 unearned revenue was \$77,288 which included \$10,608 for rescheduled concerts.

Donated Services, Materials, and Equipment

Agencies, business firms, and others contribute materials and services toward the fulfillment of projects initiated by the Center. To the extent that contributions of materials and services are objectively measurable and represent program or support expenditures that would otherwise be incurred by the Center, they are reflected in both support and program expenses in the accompanying financial statements. Donated services and materials were \$5,205 for the year ended June 30, 2021 and \$4,332 for the year ended June 30, 2020. The Center also received services and materials in exchange for services and materials in the amount of \$5,000 as of June 30, 2021 and \$43,179 as of June 30, 2020.

St. Cecilia Music Center
Notes to Financial Statements

June 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Donated Services, Materials, and Equipment (continued)

The Center had received ticket sales from several concerts that were subsequently canceled. A total of \$15,309 of these ticket sales were donated to the Center for the year ended June 30, 2021, and \$15,104 for the year ended June 30, 2020. The Center also received tuition sales in the amount of \$0 for June 30, 2021, and \$8,166 for the year ended June 30, 2020, related to classes that were canceled where the fees were donated to the Center. These donations were recorded as donations and grants revenue on the statements of activities for the years ended June 30, 2021, and 2020. There were no such donations received for the year ended June 30, 2021. The Center did receive the donation of two pianos for the year ended June 30, 2021, valued at \$22,000, which are reflected in the Center's fixed assets and are recorded in donations and grant revenue on the statement of activities.

No volunteer services have been valued in the financial statements as there is no objective basis available to measure the value of such services; however, a number of volunteers have donated substantial amounts of their time to the Center's programs. Contributions of furniture 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 Center.

Advertising Costs

The Center expenses advertising costs as incurred. Advertising expenses are included in the statements of activities and were \$24,156 for the year ended June 30, 2021 and \$84,159 for the year ended June 30, 2020.

Allocation of Functional Expenses

Expenses identified as applying to a specific program or supporting service are recorded in the appropriate service area as incurred. Expenses not directly attributable to a program or supporting service are allocated between service areas based on percentages formulated through ongoing time studies of professional staff time.

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among performance, education, historic building preservation, and supporting services benefited. Such allocations are determined by management on an equitable basis.

St. Cecilia Music Center
Notes to Financial Statements

June 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Allocation of Functional Expenses (continued)

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Occupancy	Square footage/percent of usage
Printing and office	Full time equivalent
Information technology	Full time equivalent
Other	Time and effort
Depreciation	Square footage

Income Taxes

The Center is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Center's tax-exempt purpose may be subject to taxation as unrelated business income. Since the Center is exempt from federal income taxes, no provision for income taxes is included in the accompanying financial statements.

Generally, tax years from 2017 through the current year remain open to examination. The Center does not believe that the results from the examination of any open years would have a material adverse effect on the Center.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Standard

On July 1, 2020, the Center adopted ASU 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively "ASC 606"), which creates a single framework for recognizing revenue from contracts with customers that fell within its scope and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

St. Cecilia Music Center
Notes to Financial Statements

June 30, 2021

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standard (continued)

A majority of the Center's support and revenue consists of contributions and grants, that are outside the scope of ASC 606. The Center's services that fall within the scope of ASC 606 are presented within the categories "education" and "performance" and are recognized as revenue as the Center satisfies its obligation to the customer. Services within the scope of ASC 606 include fees for educational music programs and live performances. Refer to Note 15, Revenue from Contracts with Customers, for further discussion on the Center's accounting policies for revenue sources within the scope of ASC 606.

The Center adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2020. Results for reporting periods beginning after July 1, 2020 are presented under ASC 606 while prior period amounts continue to be reported in accordance with legacy accounting principles generally accepted in the United States of America (U.S. GAAP). The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded. Also, there was no effect on how items within the Center's financial statements were reported under ASC 606 as compared to the former guidance.

Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure in the financial statements through November 5, 2021, which is the date the financial statements were available to be issued.

2. Liquidity and Availability

The Center has current assets available within one year of the statements of financial position date to meet cash needs for at least six months of general expenditures. Current assets in the amount of \$55,000 for the years ended June 30, 2021 and 2020 are subject to donor restrictions that make them unavailable for general expenditures within one year of the statements of financial position date. The current portion of grants receivable and unconditional promises to give are subject to implied time restrictions but are expected to be collected within one year. Included in current assets are prepaid expenses which reduce the cash required to meet expenses during the next 12 months. To help manage unanticipated liquidity needs, the Center has entered into an agreement with a financial institution for a \$150,000 line of credit which it could draw upon if necessary (see Note 8 for further details).

St. Cecilia Music Center

Notes to Financial Statements

June 30, 2021

2. Liquidity and Availability (continued)

The Center has established an operating reserve policy with the stated purpose of maintaining cash and cash equivalents on hand to meet 90 days of normal operating expenses net of program revenue. Program revenue consists of ticket sales, tuition revenue, and building rental revenue. The balance of this board-designated operating reserve was \$180,000 as of June 30, 2021 and \$175,000 as of June 30, 2020.

The Center established a building and capital asset reserve policy with the stated purpose of setting aside funds during the annual budgeting process to provide for future unbudgeted repairs of building or equipment or replacement of furniture, fixtures, and equipment. The balance of this board-designated building and capital asset reserve was \$260,000 as of June 30, 2021 and \$10,000 as of June 30, 2020.

During the year ended June 30, 2020, the Center established a COVID-19 reserve policy with the stated purpose to ensure the stability of the mission, programs, employment, and ongoing operations of the organization during the COVID-19 pandemic. The COVID-19 reserve fund will be used in full prior to the use of the operating reserve funds and will not be replenished once depleted. If funds remain in the reserve once the negative impacts of the pandemic cease, they will be moved to the general endowment fund of the Center. The balance of this board-designated COVID-19 reserve fund was \$339,162 as of June 30, 2021 and \$339,113 as of June 30, 2020.

3. Grants Receivable and Unconditional Promises to Give

Grants receivable consisted of the following as of June 30:

	2021	2020
Total grants receivable	\$ 58,600	\$ 159,500
Grants receivable, current portion	(38,600)	(104,500)
Grants receivable, net of current portion	\$ 20,000	\$ 55,000

Future payments of grants receivable consisted of the following as of June 30:

	2021	2020
Due in less than one year	\$ 38,600	\$ 104,500
Due in one to five years	20,000	55,000
Total grants receivable	\$ 58,600	\$ 159,500

St. Cecilia Music Center
Notes to Financial Statements

June 30, 2021

3. Grants Receivable and Unconditional Promises to Give (continued)

Unconditional promises to give consisted of the following as of June 30:

	2021	2020
Total unconditional promises to give	\$ -	\$ 15,500
Unconditional promises to give, current portion	-	(15,500)
Unconditional promises to give, net of current portion	<u>\$ -</u>	<u>\$ -</u>

Future payments of unconditional promises to give consisted of the following as of June 30:

	2021	2020
Due in less than one year	\$ -	\$ 15,500
Due in one to five years	-	-
	-	15,500
Allowance for uncollectible accounts	-	-
Discount on promises to give	-	-
Total unconditional promises to give	<u>\$ -</u>	<u>\$ 15,500</u>

4. Property and Equipment

Property and equipment consisted of the following as of June 30:

	2021	2020
Land	\$ 22,728	\$ 22,728
Building and improvements	5,147,402	5,147,402
Equipment	621,166	599,387
Furniture and fixtures	372,331	376,237
	6,163,627	6,145,754
Accumulated depreciation	(3,213,464)	(2,971,819)
Property and equipment, net	<u>\$ 2,950,163</u>	<u>\$ 3,173,935</u>

5. Investments

The Center's investments consisted of the following as of June 30:

	2021	2020
Equity securities	\$ 1,539,350	\$ 1,032,647
Fixed income	728,530	773,080
	<u>\$ 2,267,880</u>	<u>\$ 1,805,727</u>

St. Cecilia Music Center
Notes to Financial Statements

June 30, 2021

5. Investments (continued)

Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

6. Beneficial Interest in Assets Held by Others

The Center is the beneficiary of an agency endowment fund held by the Grand Rapids Community Foundation (Foundation). Under the fund agreement, the endowment fund is under control of the Foundation and the Center is entitled to the fund's spendable income, as determined in accordance with the terms of the fund agreement, upon written request. The spendable income is to be used for the support of the charitable or educational purposes of the Center.

An asset for the agency endowment fund has been established for the fair value of the underlying investment totaling \$259,869 as of June 30, 2021 and \$211,611 as of June 30, 2020 and is recorded in the Center's statements of financial position. On an annual basis, the asset is revalued based on changes in fair value. This revaluation, less the spendable portion to which the Center is entitled, is recorded as a change in beneficial interest in the statements of activities.

The Center has two donor endowment funds held by the Foundation and, in accordance with U.S. GAAP, the Center does not record the donor endowment funds, which are valued at \$378,731 as of June 30, 2021 and \$307,242 as of June 30, 2020, in its financial statements.

St. Cecilia Music Center

Notes to Financial Statements

June 30, 2021

7. Fair Value Measurements

Fair values of assets measured on a recurring basis consisted of the following as of June 30:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021				
Equity securities	\$ 1,539,350	\$ 1,539,350	\$ -	\$ -
Fixed income	728,530	728,530	-	-
Beneficial interest in assets held by others	259,869	-	-	259,869
Total	<u>\$ 2,527,749</u>	<u>\$ 2,267,880</u>	<u>\$ -</u>	<u>\$ 259,869</u>
2020				
Equity securities	\$ 1,032,647	\$ 1,032,647	\$ -	\$ -
Fixed income	773,080	773,080	-	-
Beneficial interest in assets held by others	211,611	-	-	211,611
Total	<u>\$ 2,017,338</u>	<u>\$ 1,805,727</u>	<u>\$ -</u>	<u>\$ 211,611</u>

The beneficial interest in assets held by others represents the Center's share of an investment pool held and managed by the Foundation. This pool is comprised of various investments that are valued by the Foundation using Level 1, 2, and 3 inputs.

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis were as follows:

	Level 3
Balance as of July 1, 2019	\$ 246,335
Net depreciation	(10,699)
Proceeds received	(24,025)
Balance as of June 30, 2020	<u>211,611</u>
Net appreciation	58,838
Proceeds received	(10,580)
Balance as of June 30, 2021	<u>\$ 259,869</u>

Realized and unrealized gains or losses noted in the previous schedule are included in the total net investment return/(loss) reported in the statements of activities.

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Notes to Financial Statements

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8. Line of Credit

The Center has a \$150,000 working capital line of credit with a bank carrying interest at the bank's prime rate, which was 3.25% as of June 30, 2021. There were no borrowings outstanding on this line of credit as of June 30, 2021 and 2020.

9. Paycheck Protection Program Loan

The Center received Paycheck Protection Program (PPP) loan proceeds from United Bank of Michigan in the amount of \$86,250 on February 4, 2021 and \$106,250 on April 17, 2020. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of their average monthly payroll expenses. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period. The Center used the PPP funds to assist with maintaining staffing levels and were spent solely on payroll. Management expects the loan funds to be fully expended within the allowable period. The Center also believes that its use of the loan proceeds will meet the conditions of forgiveness and were spent for eligible program purposes and therefore, expects that these loan funds will be forgiven.

The Center believes that the loan proceeds will be fully forgiven, and they have chosen to record the PPP loan proceeds of \$86,250 on the statements of activities along with the PPP funds that were forgiven on February 18, 2021 in the amount of \$106,250, which is in accordance with current accounting standards.

10. Related Party Transactions

The Center received approximately \$1,750 in contributions and sponsorships during the year ended June 30, 2021 and approximately \$5,500 during the year ended June 30, 2020 from companies owned and/or managed by members of the Board of Directors. The Center also received approximately \$49,100 in contributions and sponsorships during the year ended June 30, 2021 and approximately \$50,300 during the year ended June 30, 2020 from employees of the Center and members of the Board of Directors.

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Notes to Financial Statements

June 30, 2021

11. Net Assets

Net assets without donor restrictions that are designated by the Board of Directors consisted of the following as of June 30:

	2021	2020
Operating reserve	\$ 180,000	\$ 175,000
Building and capital asset reserve	260,000	10,000
COVID-19 reserve	339,162	339,113
	<u>\$ 779,162</u>	<u>\$ 524,113</u>

Net assets with donor restrictions consisted of the following as of June 30:

	2021	2020
Time or purpose restrictions:		
General endowment	\$ 589,126	\$ 270,061
Time restricted contributions and grants	55,500	165,500
Campaign contributions, not spent	55,000	55,000
Piano fund	17,438	14,941
Scholarship endowment	47,368	24,781
	<u>764,432</u>	<u>530,283</u>
Perpetual restrictions:		
Scholarships	91,623	91,623
Endowments:		
Building maintenance	259,869	211,611
General operations	1,714,535	1,590,549
	<u>2,066,027</u>	<u>1,893,783</u>
Total net assets with donor restrictions	<u>\$ 2,830,459</u>	<u>\$ 2,424,066</u>

12. Endowment Funds

Net assets with donor restrictions include assets restricted by donors for the building endowment fund and are held at the Foundation. Net investment income earned from these net assets is to be used to support the programs and projects directly benefiting the mission of the Center. Annual distributions are limited to amounts as calculated by the spending policy of the Foundation.

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Notes to Financial Statements

June 30, 2021

12. Endowment Funds (continued)

Net assets with donor restrictions also include funds designated for the general endowment fund totaling \$1,714,535 for the year ended June 30, 2021 and \$1,590,549 for the year ended June 30, 2020, and funds designated for scholarships totaling \$91,623 for the years ended June 30, 2021 and 2020.

The Center has interpreted current law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as net assets with donor restrictions that contain perpetual restrictions, (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as perpetually restricted net assets is classified as time or purpose restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the policies of the endowment fund.

The investment policy of the Center includes sound investment practices that emphasize long-term investment fundamentals, such as long-term capital appreciation, as a primary source of return. The investment objectives recognize that the assets are exposed to risk and may be subject to large fluctuations in market value from year to year. This volatile performance is acceptable as long as the endowment funds are invested primarily for capital appreciation over the long-term. The endowment fund's assets are expected to earn long-term returns sufficient to grow the purchasing power of assets over the long term and shall be diversified in order to reduce the risk of wide swings in market value from year to year, or of incurring large losses that may result from concentrated positions.

The investment policy for the endowment, as established by the Board of Directors, provides for the following target investment allocations:

<u>Type of Security</u>	<u>Target Percentage</u>
Equity securities	65%
Fixed income	25%
Cash and cash equivalents	10%

The endowment spending policy of the Center provides for a calculated spending amount not to exceed 4% of the average fair market value of each endowment from the previous 16 quarters for the current fiscal year.

St. Cecilia Music Center

Notes to Financial Statements

June 30, 2021

12. Endowment Funds (continued)

Endowment net asset composition by type of fund consisted of the following as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions
Piano fund	\$ -	\$ 17,438
Building endowment	-	259,869
General endowment	-	2,303,661
Scholarship endowment	-	138,991
Total	<u>\$ -</u>	<u>\$ 2,719,959</u>

Endowment net asset composition by type of fund consisted of the following as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions
Piano fund	\$ -	\$ 14,941
Building endowment	-	211,611
General endowment	-	1,860,610
Scholarship endowment	-	116,404
Total	<u>\$ -</u>	<u>\$ 2,203,566</u>

Changes in endowment net assets consisted of the following as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ -	\$ 2,203,566
Investment income:		
Interest and dividends	-	38,483
Net investment return	-	375,214
Total investment income	-	413,697
Additional contributions	-	192,264
Released from restrictions	-	(89,568)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,719,959</u>

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Notes to Financial Statements

June 30, 2021

12. Endowment Funds (continued)

Changes in endowment net assets consisted of the following as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year, as restated	\$ -	\$ 2,225,336
Investment income:		
Interest and dividends	-	49,431
Net investment return	-	15,441
Total investment income	-	64,872
Additional contributions	-	15,800
Released from restrictions	-	(102,442)
Endowment net assets, end of year	\$ -	\$ 2,203,566

From time to time, the fair value of the assets associated with donor-restricted endowment funds may fall below the level that the donor requires the Center to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions. These deficiencies result from unfavorable market fluctuations that occur occasionally. There were no such deficiencies as of June 30, 2021 and 2020.

13. Major Funding Sources

The Center receives support from various donors in the community, including individuals, corporations, foundations, and governmental entities. During the year ended June 30, 2021, the Center had no significant concentration in revenue sources; however, approximately 94% of grants receivable was due from one grantor. During the year ended June 30, 2020, the Center had no significant concentration in revenue sources; however, approximately 97% of grants receivable was due from two grantors. Additionally, as of June 30, 2020, 65% of the Center's total unconditional promises to give was due from one donor related to a gift committed in a prior year.

St. Cecilia Music Center

Notes to Financial Statements

June 30, 2021

14. Future Commitments

The Center entered into several contracts for the upcoming season's performances. Under these contracts, the Center expects to make payments of approximately \$170,250 during the year ending June 30, 2022.

15. Revenue from Contracts with Customers

Each revenue transaction contains a single delivery element and revenue is recognized at a single point in time when services, risks, and rewards transfer. There are no significant contracts in process at June 30, 2021. The Center's contracts with customers and method of revenue recognition include the following:

- Education/tuition. The Center's music program charges tuition at the beginning of the semesters. Revenue is recorded at beginning of each semester (Fall and Spring), both semesters fall within the Center's fiscal year.
- Performance/ticket sales. The Center hosts concerts by artists throughout the year. Patrons purchase tickets online and at the venue. Revenue is recognized at the time the concerts are held.

Revenue from contracts with customers consisted of the following:

Revenue Stream	2021	2020
Education/tuition	\$ 4,514	\$ 115,401
Performance/ticket sales	8,852	206,387
Total revenue from contracts	<u>\$ 13,366</u>	<u>\$ 321,788</u>

As of June 30, 2021, 2020, and 2019, the Center had no significant receivables related to contracts with customers. During the years ended June 30, 2021 and 2020, the Center had no significant bad debt expense on revenue from contracts with customers.

The following economic factors affect the nature, amount, timing, and uncertainty of the Center's revenue and cash flows as indicated:

- Economic trends: Services to all customers correlate with economic cycles and are cyclical in nature based on personal discretionary.
- Geographical location of customers: Services are to customers located primarily in the area that includes Western Michigan and the surrounding areas; therefore, revenue is correlated to the local economy.
- Nonprofit industry: Overall revenue from tuition and ticket sales can be dependent on individuals' disposable income.

St. Cecilia Music Center
Notes to Financial Statements

June 30, 2021

16. Risk and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the world. Many states issued temporary Executive Orders that, among other stipulations, effectively prohibited in-person work activities for most businesses and industries including nonprofit entities, having the effect of suspending or severely curtailing operations during parts of 2020 and 2021. As a result, the Center experienced a disruption to normal activities.

The extent of the ultimate impact of the pandemic on the Center's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on contributors, program recipients, employees, vendors, and other constituents, all of which cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak could negatively impact the Center's net assets, changes in net assets and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.