

LANSING ART GALLERY & EDUCATION CENTER

(A NON-PROFIT CORPORATION)

FINANCIAL STATEMENTS

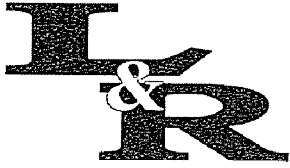
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INDEPENDENT ACCOUNTANTS' REPORT

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

## CONTENTS

INDEPENDENT AUDITORS' REPORT	1-2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4-5
STATEMENTS OF FUNCTIONAL EXPENSES	6-7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9-18



# Layton & Richardson, P.C.

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Lansing Art Gallery & Education Center  
Lansing, Michigan

1000 Coolidge Road  
East Lansing, MI 48823

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We have audited the accompanying financial statements of Lansing Art Gallery & Education Center (a nonprofit organization) which comprise the statement of financial position as of June 30, 2018, 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.

### ***Auditor's 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.

Vickie L. Crouch, CPA, CGFM  
*Principal*  
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Stephen D. Plumb, JD, CPA  
*Principal*  
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lansing Art Gallery & Education Center as of June 30, 2018, 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.

**Prior Period Financial Statements**

The June 30, 2017 financial statements were reviewed by us, and our report thereon, dated December 8, 2017, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

*Layton & Richardson, P.C*  
*Certified Public Accountants*

East Lansing, Michigan  
January 2, 2019

**LANSING ART GALLERY & EDUCATION CENTER**  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	JUNE 30,	
	2018 (AUDITED)	2017 (REVIEWED)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 116,231	\$ 109,648
Receivables - contributions and grants	32,454	10,892
Inventory	3,294	5,767
Security deposit	2,000	2,000
Prepaid expenses	<u>2,000</u>	<u>5,711</u>
<b>TOTAL CURRENT ASSETS</b>	<u>155,979</u>	<u>134,018</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	34,673	34,673
Equipment and fixtures	13,188	12,944
Less: accumulated depreciation	<u>(31,751)</u>	<u>(28,851)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>16,110</u>	<u>18,766</u>
<b>OTHER ASSETS</b>		
Investments	1,115	1,115
Collection of artwork	<u>23,995</u>	<u>23,995</u>
<b>TOTAL OTHER ASSETS</b>	<u>25,110</u>	<u>25,110</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 197,199</u></u>	<u><u>\$ 177,894</u></u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,083	\$ 5,439
Other accrued liabilities	4,520	3,501
Deferred revenue	<u>2,570</u>	<u>3,955</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>10,173</u>	<u>12,895</u>
<b>NET ASSETS</b>		
Unrestricted - undesignated	123,086	132,847
Temporarily restricted	<u>63,940</u>	<u>32,152</u>
<b>TOTAL NET ASSETS</b>	<u>187,026</u>	<u>164,999</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 197,199</u></u>	<u><u>\$ 177,894</u></u>

See independent auditors' report and notes to financial statements.

**LANSING ART GALLERY & EDUCATION CENTER**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018 (AUDITED)		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUES</b>			
Public support			
Grants	\$	\$ 87,069	\$ 87,069
Contributions	30,104	10,615	40,719
In-kind contributions	18,000		18,000
Membership dues	8,345		8,345
Sponsorships	500		500
Special events	3,860		3,860
Revenues			
Education	38,012		38,012
Sales income	49,358		49,358
Exhibition income	39,506		39,506
Investment income	235		235
Net assets released from restrictions	65,896	(65,896)	
<b>TOTAL SUPPORT AND REVENUES</b>	<b>253,816</b>	<b>31,788</b>	<b>285,604</b>
<b>EXPENSES</b>			
Program services			
Arts and cultural	210,551		210,551
Supporting services			
Management and general	45,434		45,434
Fundraising	7,592		7,592
<b>TOTAL EXPENSES</b>	<b>263,577</b>		<b>263,577</b>
<b>CHANGE IN NET ASSETS</b>	<b>(9,761)</b>	<b>31,788</b>	<b>22,027</b>
<b>NET ASSETS, JULY 1</b>	<b>132,847</b>	<b>32,152</b>	<b>164,999</b>
<b>NET ASSETS, JUNE 30</b>	<b>\$ 123,086</b>	<b>\$ 63,940</b>	<b>\$ 187,026</b>

See independent auditors' report and notes to financial statements.

2017  
(REVIEWED)

UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
\$ 14,966 11,166 7,601  11,478  35,793 44,934 28,289 46 80,200 <hr style="width: 100%;"/> 234,473 <hr style="width: 100%;"/>	\$ 63,271 40,427         (80,200) <hr style="width: 100%;"/> 23,498 <hr style="width: 100%;"/>	\$ 63,271 55,393 11,166 7,601  11,478  35,793 44,934 28,289 46 <hr style="width: 100%;"/> 257,971 <hr style="width: 100%;"/>  179,630  41,086 9,101 <hr style="width: 100%;"/> 229,817 <hr style="width: 100%;"/> 4,656  128,191 <hr style="width: 100%;"/> \$ 132,847 <hr style="width: 100%;"/>
179,630  41,086 9,101 <hr style="width: 100%;"/> 229,817 <hr style="width: 100%;"/>	<hr style="width: 100%;"/> <hr style="width: 100%;"/>	179,630  41,086 9,101 <hr style="width: 100%;"/> 229,817 <hr style="width: 100%;"/>
4,656  128,191 <hr style="width: 100%;"/> \$ 132,847 <hr style="width: 100%;"/>	23,498  8,654 <hr style="width: 100%;"/> \$ 32,152 <hr style="width: 100%;"/>	28,154  136,845 <hr style="width: 100%;"/> \$ 164,999 <hr style="width: 100%;"/>

**LANSING ART GALLERY & EDUCATION CENTER**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

2018  
(AUDITED)

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		TOTAL EXPENSES
	ARTS AND CULTURAL	FUND- RAISING	MANAGEMENT AND GENERAL	
Salaries and wages	\$ 98,204	\$ 5,456	\$ 5,456	\$ 109,116
Payroll taxes and fringe benefits	<u>8,370</u>	<u>465</u>	<u>465</u>	<u>9,300</u>
Total salaries and related expenses	106,574	5,921	5,921	118,416
Special events				
Insurance	569	33	67	669
Rent	21,332	610	2,439	24,381
Professional fees	18,023		15,925	33,948
Supplies	248		3,475	3,723
Printing and postage			8,797	8,797
Utilities				
Telephone	574	46	33	653
Service charges			5,793	5,793
Dues and memberships		980		980
Occupancy	683		18	701
Education expense	12,589			12,589
Grants				
Sense of place			54	54
Sales expenses	20,077			20,077
Gift shop - cost of sales	29,865			29,865
Other	<u>17</u>	<u>2</u>	<u>12</u>	<u>31</u>
Total expenses before depreciation	210,551	7,592	42,534	260,677
Depreciation			<u>2,900</u>	<u>2,900</u>
<b>TOTAL EXPENSES</b>	<u>\$ 210,551</u>	<u>\$ 7,592</u>	<u>\$ 45,434</u>	<u>\$ 263,577</u>

See independent auditors' report and notes to financial statements.



2017  
(REVIEWED)

PROGRAM SERVICES	SUPPORTING SERVICES		
ARTS AND CULTURAL	FUND- RAISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
\$ 87,075	\$ 4,838	\$ 4,838	\$ 96,751
<u>8,125</u>	<u>451</u>	<u>451</u>	<u>9,027</u>
95,200	5,289	5,289	105,778
	2,535		2,535
582	34	69	685
21,122	604	2,414	24,140
7,906		6,985	14,891
335		4,696	5,031
		6,594	6,594
561	45	32	638
		4,901	4,901
	594		594
753		20	773
17,202			17,202
		6,966	6,966
11,427			11,427
24,541			24,541
<u>1</u>			<u>1</u>
179,630	9,101	37,966	226,697
		3,120	3,120
<u>\$ 179,630</u>	<u>\$ 9,101</u>	<u>\$ 41,086</u>	<u>\$ 229,817</u>

**LANSING ART GALLERY & EDUCATION CENTER**  
**STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED	
	JUNE 30,	
	2018	2017
	(AUDITED)	(REVIEWED)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 22,027	\$ 28,154
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,900	3,120
Realized loss on investments		258
(Increase) decrease in assets		
Receivables - contributions and grants	(21,562)	4,766
Inventory	2,473	(800)
Prepaid expenses	3,711	(3,711)
Security deposit		
Increase (decrease) in liabilities		
Accounts payable	(2,356)	381
Deferred revenue	(1,385)	775
Other accrued liabilities	1,019	116
	<u>6,827</u>	<u>33,059</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment and fixtures	<u>(244)</u>	<u>(1,730)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	6,583	31,329
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<u>109,648</u>	<u>78,319</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u><u>\$ 116,231</u></u>	<u><u>\$ 109,648</u></u>

See independent accountants' review report and notes to financial statements.

# LANSING ART GALLERY & EDUCATION CENTER

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

### NOTE 1: **BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES**

#### Background

Lansing Art Gallery & Education Center (the Gallery) was incorporated in 1965 as a nonprofit organization. Lansing Art Gallery creates awareness, enjoyment, and education of the visual arts through the support of Michigan artists.

The Gallery operates under a Board of Directors and an Executive Director. The primary sources of revenue are art sales, fundraising events, donations, and grants.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

#### Basis of Presentation

Lansing Art Gallery & Education Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent the resources available for use in carrying on the operations of the Gallery. The unrestricted portion is under the discretionary control of the Board of Directors, and it is against this fund that all expenditures for current operations are charged.
- Temporarily restricted net assets represent contributions and other income that has been received, but is temporarily restricted for future activities.
- Permanently restricted net assets represent donor and board stipulated instruments that are to be maintained, with only the income from the instruments expended.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the related support is reported in the statement of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions with donor-imposed restrictions that are met in the same year as the gifts are received are reported as revenue of the temporarily restricted net asset class.

## LANSING ART GALLERY & EDUCATION CENTER

### NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

#### NOTE 1: **BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES** - Continued

##### Contributions - Concluded

Governmental grants that are for particular operating purposes are not considered to be contributions and are recognized as revenue when expenses are incurred under the appropriate activity type (i.e., unrestricted).

##### Investments

The Gallery's investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Fair value was determined using quoted market prices in active markets. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

##### Financial Instruments and Concentrations of Risk

Investments consist of various mutual funds and corporate stock. Investments are stated at fair (market) value.

The Gallery is required by U.S. generally accepted accounting principles to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Gallery to concentrations of credit risk consist of the investment defined above.

The Gallery places its investments with high credit-quality financial institutions. Although the types of investments held are not federally insured, they are, in the opinion of management, subject to minimal risk.

The carrying amounts of cash and cash equivalents, accounts payable, and amounts included in investments and accruals meet the definition of financial instruments approximate fair value.

##### Cash and Cash Equivalents

Cash and cash equivalents consist of checking, money market accounts, and petty cash. The Gallery considers all investments purchased with a maturity of three months or less to be cash equivalents.

##### Inventory

Inventory, consisting of items available for resale in the Gallery's gift shop, are recorded at cost on a first-in/first-out basis.

## LANSING ART GALLERY & EDUCATION CENTER

### NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

#### NOTE 1: **BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES** - Continued

##### Grants Receivable

Lansing Art Gallery & Education Center reports its receivables at their estimated net realizable value.

##### Allowance for Uncollectable Accounts

The Gallery considers accounts and grants receivable to be fully collectable; accordingly, no allowance for doubtful accounts is required.

##### Property and Equipment

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets which range from 5 to 10 years using the straight-line method. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

The Gallery's policy is to capitalize expenditures for furniture, fixtures, equipment, and leasehold improvements. Repair and maintenance costs are expensed as incurred.

##### Collection of Artwork

Artwork acquired by the Gallery is capitalized in the period acquired. Contributed items are recorded at their fair or appraised value at the date accepted by the Gallery. Other artwork items are recorded at cost at the date of purchase.

##### Donated Goods and Services

The Gallery records various types of in-kind contributions. This includes the recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

During the years ended June 30, 2018 and 2017, the Gallery received donated services that met criteria for recognition in the amount of \$18,000 and \$8,820, respectively. The contributions are recorded as revenue in the applicable line items with an offsetting amount to various expenses in the amount of \$18,000 and \$8,820, respectively.

In addition, a number of volunteers have donated services to the Gallery's program and supporting services. These in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition. The estimated amount of the donated services not recorded in the financial statements for the years ended June 30, 2018 and 2017 was \$78,994 and \$76,454, respectively.

## LANSING ART GALLERY & EDUCATION CENTER

### NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

#### NOTE 1: **BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES** - Continued

##### Donated Goods and Services - Concluded

Contributions of tangible assets are recognized at fair value when received. The value of donated assets is recorded as contributions in the period the assets are received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or assets. The value at June 30, 2018 and 2017 was \$0 and \$2,346, respectively.

##### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017 were \$7,154 and \$5,170, respectively.

##### Income Tax Status

The Gallery has been classified as an other than private foundation and is exempt from Federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Contributions to Lansing Art Gallery are tax deductible within the limitations prescribed by the Internal Revenue Code.

Lansing Art Gallery evaluates all significant tax positions under a more likely than not threshold as required by U.S. generally accepted accounting principles. As of June 30, 2018, Lansing Art Gallery does not believe that it has taken any tax positions, that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. Lansing Art Gallery's income tax returns are subject to examination by the appropriate taxing jurisdictions. At June 30, 2018, Lansing Art Gallery's federal tax returns generally remain open for the last three years.

**LANSING ART GALLERY & EDUCATION CENTER**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

NOTE 1: **BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES** – Concluded

Functional Expenses

Certain costs of the Gallery have been allocated to program service and supporting service activities. Salaries and related expenses have been allocated based upon estimated time percentages for each employee. The allocation of other costs is based on management's estimation of actual activity.

Date of Management's Review

Subsequent events have been evaluated through January 2, 2019, which is the date the financial statements were available to be issued.

NOTE 2: **CASH, CASH EQUIVALENTS AND INVESTMENTS**

Deposits of cash and cash equivalents with financial institutions are detailed as follows:

ACCOUNT TYPE	BOOK BALANCE	BANK BALANCE	FDIC INSURED
JUNE 30, 2018			
Checking	\$ 93,116	\$ 96,608	\$ 96,608
Money market	22,375	22,375	22,375
Petty cash	<u>740</u>	<u>          </u>	<u>          </u>
	<u>\$ 116,231</u>	<u>\$ 118,983</u>	<u>\$ 118,983</u>
JUNE 30, 2017			
Checking	\$ 32,371	\$ 39,969	\$ 39,969
Money market	77,077	77,077	77,077
Petty cash	<u>200</u>	<u>          </u>	<u>          </u>
	<u>\$ 109,648</u>	<u>\$ 117,046</u>	<u>\$ 117,046</u>

NOTE 3: **FIXED ASSETS**

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
JUNE 30, 2018				
Leasehold improvements	\$ 34,673	\$	\$	\$ 34,673
Equipment and fixtures	<u>12,944</u>	<u>244</u>	<u>          </u>	<u>13,188</u>
Total	47,617	244	<u>          </u>	47,861
Less: accumulated depreciation	( 28,851)	( 2,900)	<u>          </u>	( 31,751)
	<u>\$ 18,766</u>	<u>\$( 2,656)</u>	<u>\$</u>	<u>\$ 16,110</u>

**LANSING ART GALLERY & EDUCATION CENTER**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

NOTE 3: **FIXED ASSETS** - Concluded

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
JUNE 30, 2017				
Leasehold improvements	\$ 34,673	\$	\$	\$ 34,673
Equipment and fixtures	<u>11,214</u>	<u>1,730</u>	<u>          </u>	<u>12,944</u>
Total	45,887	1,730	<u>          </u>	47,617
Less: accumulated depreciation	<u>( 25,731)</u>	<u>( 3,120)</u>	<u>          </u>	<u>( 28,851)</u>
	<u>\$ 20,156</u>	<u>\$( 1,390)</u>	<u>\$          </u>	<u>\$ 18,766</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$2,900 and \$3,120, respectively.

NOTE 4: **COLLECTION OF ARTWORK**

The following is a summary of the changes in collection of artwork:

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
JUNE 30, 2018				
Collection of artwork	<u>\$ 23,995</u>	<u>\$          </u>	<u>\$          </u>	<u>\$ 23,995</u>
JUNE 30, 2017				
Collection of artwork	<u>\$ 23,995</u>	<u>\$          </u>	<u>\$          </u>	<u>\$ 23,995</u>

NOTE 5: **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are comprised of the following:

	2018	2017
Program restriction		
Community Foundation	\$ 14,059	\$
City of Lansing	1,625	
Ingham County		3,311
David Thomas Memorial	3,414	3,414
Michigan Council Arts	1,600	
Mariel Foundation	17,500	5,000
Erin Warmels Memorial	<u>25,742</u>	<u>20,427</u>
	<u>\$ 63,940</u>	<u>\$ 32,152</u>



**LANSING ART GALLERY & EDUCATION CENTER**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

**NOTE 6: NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by meeting time and program restrictions specified by donors as follows:

	2018	2017
Program restriction		
City of Lansing	\$ 4,875	\$ 8,300
Ingham County	3,311	9,129
Thomas Memorial	50	
Capital Region Community		
Foundation	9,141	11,648
Michigan Council for Arts	25,600	24,900
Joe D. Pentecost Foundation	5,000	5,800
Mariel Foundation	8,500	10,000
Miscellaneous	<u>9,419</u>	<u>10,423</u>
	<u>\$ 65,896</u>	<u>\$ 80,200</u>

**NOTE 7: OPERATING LEASE**

The Gallery leases its facilities from Spirit of Downtown Lansing, LLC under a 5 year operating lease which began January 1, 2016, and will expire December 31, 2020. Lease payments are \$2,000 monthly and increase 1% each calendar year. Total rent expense was \$24,381 and \$24,140 for the years ended June 30, 2018 and 2017, respectively.

Required lease payments are as follows:

YEAR ENDING	AMOUNT
June 30, 2019	24,605
June 30, 2020	24,851
June 30, 2021	12,487
June, 30, 2022	<u>61,943</u>

**LANSING ART GALLERY & EDUCATION CENTER**

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

**NOTE 8: INVESTMENTS**

Investments are reported on the basis of quoted market prices, if available, or based on income if not, and consist primarily of the following:

	DONATED BASIS	FAIR VALUE	REALIZED/ UNREALIZED APPRECIATION (DEPRECIATION)
JUNE 30, 2018			
REIT Operating Partnership	\$ <u>1,237</u>	\$ <u>1,115</u>	\$( <u>122</u> )
JUNE 30, 2017			
REIT Operating Partnership	\$ <u>1,237</u>	\$ <u>1,115</u>	\$( <u>122</u> )

During 2016, three of the four partnerships went bankrupt or became worthless. The investments in these partnerships were written off.

Investments represent board designated amounts set aside in prior years for the purpose of providing an income stream for annual operations.

Investment return is summarized as follows:

	2018	2017
Interest and investment income (loss)	\$ 235	\$ 304
Realized loss		
Net unrealized gain (loss)	<u>          </u>	( <u>258</u> )
Total restricted investment income (loss)	\$ <u>235</u>	\$ <u>46</u>

## LANSING ART GALLERY & EDUCATION CENTER

### NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2018 AND 2017

#### NOTE 9: FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB ASC 820-10) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1 Fair Value Measurements:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Gallery has the ability to access.

*Level 2 Fair Value Measurements:* Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3 Fair Value Measurements:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. These valuation methodologies have been consistently applied.

*Corporate Equities:* Valued at the closing price of publicly traded stocks on various markets.

*Partnerships:* Valued using an income approach.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Gallery believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**LANSING ART GALLERY & EDUCATION CENTER**

NOTES TO FINANCIAL STATEMENTS - Concluded

JUNE 30, 2018 AND 2017

NOTE 9: **FAIR VALUE MEASUREMENTS** - Concluded

The following table sets forth by level, with the fair value hierarchy, the Gallery's assets at fair value.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2018				
Corporate equities	\$ <u>1,115</u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>1,115</u>
2017				
Corporate equities	\$ <u>1,115</u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>1,115</u>