

LANSING ART GALLERY & EDUCATION CENTER

(A NOT-FOR-PROFIT CORPORATION)

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Lansing Art Gallery & Education Center (a not-for-profit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2019 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The June 30, 2018 financial statements were audited by Layton & Richardson, P.C. who merged with Clark, Schaefer, Hackett & Co. on July, 1, 2019, whose report dated January 2, 2019, expressed an unmodified opinion on those statements. We have not performed any auditing procedures since that date.

Clark, Schaefer, Hackett & Co.

East Lansing, Michigan
October 31, 2019

LANSING ART GALLERY & EDUCATION CENTER
STATEMENTS OF FINANCIAL POSITION

ASSETS

	JUNE 30,	
	2019 (REVIEWED)	2018 (AUDITED)
CURRENT ASSETS		
Cash and cash equivalents	\$ 131,208	\$ 116,231
Receivables - contributions and grants	61,224	32,454
Inventory	6,263	3,294
Security deposit	2,000	2,000
Prepaid expenses	<u>2,000</u>	<u>2,000</u>
TOTAL CURRENT ASSETS	<u>202,695</u>	<u>155,979</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	48,433	34,673
Equipment and fixtures	17,134	13,188
Less: accumulated depreciation	<u>(35,634)</u>	<u>(31,751)</u>
NET PROPERTY AND EQUIPMENT	<u>29,933</u>	<u>16,110</u>
OTHER ASSETS		
Investments	1,155	1,115
Collection of artwork	<u>23,995</u>	<u>23,995</u>
TOTAL OTHER ASSETS	<u>25,150</u>	<u>25,110</u>
TOTAL ASSETS	<u>\$ 257,778</u>	<u>\$ 197,199</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 3,908	\$ 3,083
Other accrued liabilities	5,028	4,520
Deferred revenue	<u>2,570</u>	<u>2,570</u>
TOTAL CURRENT LIABILITIES	<u>8,936</u>	<u>10,173</u>
NET ASSETS		
Without donor restrictions	182,464	123,086
With donor restrictions	<u>66,378</u>	<u>63,940</u>
TOTAL NET ASSETS	<u>248,842</u>	<u>187,026</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 257,778</u>	<u>\$ 197,199</u>

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

LANSING ART GALLERY & EDUCATION CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019 (REVIEWED)		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUES			
Public support			
Grants	\$ 57,265	\$ 66,625	\$ 123,890
Contributions	43,867	8,685	52,552
In-kind contributions	39,515		39,515
Membership dues	6,460		6,460
Sponsorships			
Special events	3,745		3,745
Revenues			
Education	70,853		70,853
Sales income	41,611		41,611
Exhibition income	44,863		44,863
Investment income	483		483
Net assets released from restrictions	72,872	(72,872)	
TOTAL SUPPORT AND REVENUES	381,534	2,438	383,972
EXPENSES			
Program services			
Arts and cultural	249,930		249,930
Supporting services			
Management and general	58,656		58,656
Fundraising	13,570		13,570
TOTAL EXPENSES	322,156		322,156
CHANGE IN NET ASSETS	59,378	2,438	61,816
NET ASSETS, JULY 1	123,086	63,940	187,026
NET ASSETS, JUNE 30	\$ 182,464	\$ 66,378	\$ 248,842

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

2018 (AUDITED)		
WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
\$	\$	\$
30,104	87,069	87,069
18,000	10,615	40,719
8,345		18,000
500		8,345
3,860		500
		3,860
38,012		38,012
49,358		49,358
39,506		39,506
235		235
65,896	(65,896)	
<u>253,816</u>	<u>31,788</u>	<u>285,604</u>
210,551		210,551
45,434		45,434
7,592		7,592
<u>263,577</u>		<u>263,577</u>
(9,761)	31,788	22,027
<u>132,847</u>	<u>32,152</u>	<u>164,999</u>
<u>\$ 123,086</u>	<u>\$ 63,940</u>	<u>\$ 187,026</u>

LANSING ART GALLERY & EDUCATION CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

2019
(REVIEWED)

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		TOTAL EXPENSES
	ARTS AND CULTURAL	FUND- RAISING	MANAGEMENT AND GENERAL	
Salaries and wages	\$ 115,620	\$ 6,423	\$ 6,424	\$ 128,467
Payroll taxes and fringe benefits	<u>10,530</u>	<u>585</u>	<u>585</u>	<u>11,700</u>
Total salaries and related expenses	126,150	7,008	7,009	140,167
Special events				
Insurance	767	46	90	903
Rent	21,547	616	2,462	24,625
Professional fees	22,973		20,299	43,272
Supplies	640		8,967	9,607
Printing and postage			10,218	10,218
Utilities				
Telephone	574	45	33	652
Service charges			5,625	5,625
Dues and memberships		5,855		5,855
Occupancy	500		13	513
Education expense	19,765			19,765
Grants expenses				
Sense of place			57	57
Sales expenses	33,149			33,149
Gift shop - cost of sales	23,865			23,865
Other				
Total expenses before depreciation	<u>249,930</u>	<u>13,570</u>	<u>54,773</u>	<u>318,273</u>
Depreciation			<u>3,883</u>	<u>3,883</u>
TOTAL EXPENSES	<u><u>\$ 249,930</u></u>	<u><u>\$ 13,570</u></u>	<u><u>\$ 58,656</u></u>	<u><u>\$ 322,156</u></u>

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

2018
(AUDITED)

PROGRAM SERVICES	SUPPORTING SERVICES		
ARTS AND CULTURAL	FUND- RAISING	MANAGEMENT AND GENERAL	TOTAL EXPENSES
\$ 98,204	\$ 5,456	\$ 5,456	\$ 109,116
<u>8,370</u>	<u>465</u>	<u>465</u>	<u>9,300</u>
106,574	5,921	5,921	118,416
569	33	67	669
21,332	610	2,439	24,381
18,023		15,925	33,948
248		3,475	3,723
		8,797	8,797
574	46	33	653
		5,793	5,793
683	980		980
12,589		18	701
			12,589
		54	54
20,077			20,077
29,865			29,865
<u>17</u>	<u>2</u>	<u>12</u>	<u>31</u>
210,551	7,592	42,534	260,677
		2,900	2,900
<u>\$ 210,551</u>	<u>\$ 7,592</u>	<u>\$ 45,434</u>	<u>\$ 263,577</u>

LANSING ART GALLERY & EDUCATION CENTER
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	2019 (REVIEWED)	2018 (AUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 61,816	\$ 22,027
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,883	2,900
Unrealized gain on investments	(40)	
(Increase) decrease in assets		
Receivables - contributions and grants	(28,770)	(21,562)
Inventory	(2,969)	2,473
Prepaid expenses		3,711
Security deposit		
Increase (decrease) in liabilities		
Accounts payable	825	(2,356)
Deferred revenue	(2,570)	(1,385)
Other accrued liabilities	508	1,019
	<u>32,683</u>	<u>6,827</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(17,706)</u>	<u>(244)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	14,977	6,583
CASH AND CASH EQUIVALENTS, JULY 1	<u>116,231</u>	<u>109,648</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u><u>\$ 131,208</u></u>	<u><u>\$ 116,231</u></u>

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

LANSING ART GALLERY & EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

Background

Lansing Art Gallery & Education Center (the Gallery) was incorporated in 1965 as a not-for-profit 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 (GAAP).

Basis of Presentation

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Top 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Gallery implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, and as a result, there was no impact to total net asset balances.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions – Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished (see Note 6).

LANSING ART GALLERY & EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

Contributions

Contributions received are recorded as contributions with or without donor restrictions, 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 without donor restrictions classification.

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.

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 without donor restrictions 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 investments 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 that meet the definition of financial instruments approximate fair value.

LANSING ART GALLERY & EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

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.

Grants Receivable

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

Allowance for Uncollectable Accounts

The Gallery considers contributions 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 over \$500. 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.

LANSING ART GALLERY & EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

Donated Goods and Services - Concluded

During the years ended June 30, 2019 and 2018, the Gallery received donated services that met criteria for recognition in the amount of \$39,515 and \$18,000 respectively. The contributions are recorded as revenue in the applicable line items with an offsetting amount to various expenses in the amount of \$39,515 and \$18,000, 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, 2019 and 2018 was \$88,847 and \$78,994, respectively.

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, 2019 and 2018 was \$4,170 and \$0, 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, 2019 and 2018 were \$7,217 and \$7,154, 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, 2019, 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, 2019, 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, 2019 AND 2018

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 October 31, 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, 2019			
Checking	\$ 95,266	\$ 95,266	\$ 95,266
Money market	35,742	35,742	35,742
Petty cash	<u>200</u>	<u> </u>	<u> </u>
	<u>\$ 131,208</u>	<u>\$ 131,008</u>	<u>\$ 131,008</u>
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>

NOTE 3: **FIXED ASSETS**

	BALANCE, JULY 1	ADDITIONS	DELETIONS	BALANCE, JUNE 30
JUNE 30, 2019				
Leasehold improvements	\$ 34,673	\$ 13,760	\$	\$ 48,433
Equipment and fixtures	<u>13,188</u>	<u>3,946</u>	<u> </u>	<u>17,134</u>
Total	47,861	17,706		65,567
Less: accumulated depreciation	(31,751)	(3,883)	<u> </u>	(35,634)
	<u>\$ 16,110</u>	<u>\$ 13,823</u>	<u>\$</u>	<u>\$ 29,933</u>

LANSING ART GALLERY & EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

NOTE 3: FIXED ASSETS - Concluded

	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		47,861
Less: accumulated depreciation				
	<u>(28,851)</u>	<u>(2,900)</u>	<u> </u>	<u>(31,751)</u>
	<u>\$ 18,766</u>	<u>\$ (2,656)</u>	<u>\$ </u>	<u>\$ 16,110</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$3,883 and \$2,900, 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, 2019				
Collection of artwork	<u>\$ 23,995</u>	<u>\$ </u>	<u>\$ </u>	<u>\$ 23,995</u>
JUNE 30, 2018				
Collection of artwork	<u>\$ 23,995</u>	<u>\$ </u>	<u>\$ </u>	<u>\$ 23,995</u>

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are comprised of the following:

	2019	2018
Program restriction		
Community Foundation	\$ 25,000	\$ 14,059
City of Lansing		1,625
Ingham County	4,687	
David Thomas Memorial	3,364	3,414
Michigan Council Arts		1,600
Mariel Foundation		17,500
Erin Warmels Memorial	<u>33,327</u>	<u>25,742</u>
	<u>\$ 66,378</u>	<u>\$ 63,940</u>

LANSING ART GALLERY & EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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:

	2019	2018
Program restriction		
City of Lansing	\$ 20,875	\$ 4,875
Ingham County	4,688	3,311
Thomas Memorial	150	50
Capital Region Community Foundation	14,059	9,141
Michigan Council for Arts	11,350	25,600
Joe D. Pentecost Foundation		5,000
Mariel Foundation	17,500	8,500
Erin Warmels Memorial	1,000	
Miscellaneous	<u>3,250</u>	<u>9,419</u>
	<u>\$ 72,872</u>	<u>\$ 65,896</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 \$24,625 and \$24,381 for the years ended June 30, 2019 and 2018, respectively.

Required lease payments are as follows:

YEAR ENDING	AMOUNT
June 30, 2020	\$ 24,851
June 30, 2021	<u>12,487</u>
	<u>\$ 37,338</u>

LANSING ART GALLERY & EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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, 2019			
Corporate Equities	\$ <u>1,237</u>	\$ <u>1,155</u>	\$ (<u>82</u>)
JUNE 30, 2018			
Corporate Equities	\$ <u>1,237</u>	\$ <u>1,115</u>	\$ (<u>122</u>)

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:

	2019	2018
Investment income	\$ <u>483</u>	\$ <u>235</u>
Total investment income	\$ <u>483</u>	\$ <u>235</u>

LANSING ART GALLERY & EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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.

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 - Continued

JUNE 30, 2019 AND 2018

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
2019				
Corporate equities	\$ <u>1,155</u>	\$ _____	\$ _____	\$ <u>1,155</u>
2018				
Corporate equities	\$ <u>1,115</u>	\$ _____	\$ _____	\$ <u>1,115</u>

NOTE 10: LIQUIDITY AND AVAILABILITY

The Gallery regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Gallery considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures. The following reflects the Gallery's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the Statement of Financial Position.

Cash and cash equivalents	\$ 131,208
Receivables – contributions and grants	<u>61,224</u>
Total financial assets at year-end	192,432
Less donor-restricted net assets	(<u>66,378</u>)
Financial assets available to meet cash needs for general expenses within one year	\$ <u>126,054</u>

NOTE 11: RECENT PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers*. Since the issuance of this standard, there have been several additional standards issued related to this topic. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about that nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the Gallery's year ending June 30, 2020.

LANSING ART GALLERY & EDUCATION CENTER

NOTES TO FINANCIAL STATEMENTS - Concluded

JUNE 30, 2019 AND 2018

NOTE 11: **RECENT PRONOUNCEMENTS** - Concluded

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard will assist entities in determining whether grants and similar revenue sources should be accounted for as contribution (nonreciprocal) transactions or as exchange (reciprocal) transactions. The standard also provides expanded guidance on determining whether a contribution is conditional. This standard will be effective for the Gallery's year ending June 30, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset with a corresponding lease liability on the Statement of Financial Position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the Statement of Activities. This standard will be effective for the Gallery's year ending June 30, 2021.

The Gallery is currently in the process of evaluation the impact of adoption of these ASUs on the financial statements.