



ArtPrize Grand Rapids

Financial Statements
Year Ended December 31, 2017

ArtPrize Grand Rapids

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ArtPrize Grand Rapids

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Independent Auditor's Report

Board of Directors
ArtPrize Grand Rapids
Grand Rapids, Michigan

We have audited the accompanying financial statements of ArtPrize Grand Rapids (ArtPrize), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 ArtPrize Grand Rapids as of December 31, 2017, 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.

BDO USA, LLP

February 16, 2018

Financial Statements

ArtPrize Grand Rapids
Statement of Financial Position

December 31, 2017

Assets

Current Assets

Cash and cash equivalents - unrestricted	\$	21,467
Contributions receivable		1,584
Prepaid expenses		13,083
Merchandise inventory		8,252

Total Current Assets 44,386

Artwork 270,000

Intangible Assets, net (Note 3) 209,732

Fixed Assets, net (Note 2) 6,576

Total Assets \$ 530,694

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	192,445
Deferred revenue (Note 6)		208,000
Accrued payroll		41,305

Total Liabilities 441,750

Net Assets - Unrestricted 88,944

Total Liabilities and Net Assets \$ 530,694

See accompanying notes to financial statements.

ArtPrize Grand Rapids

Statement of Activities

<i>Year ended December 31, 2017</i>	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Corporate contributions	\$ 1,818,000	\$ 118,000	\$ 1,936,000
Grants and foundation contributions	798,000	-	798,000
City, state and federal grants	213,800	-	213,800
Individual contributions	146,871	-	146,871
Registration fee revenue, net of discounts	105,250	-	105,250
Merchandise revenue	104,543	-	104,543
Other income	35,407	-	35,407
Net assets released from restrictions	118,000	(118,000)	-
Total Support and Revenue	3,339,871	-	3,339,871
Expenses			
Payroll expense	1,349,333	-	1,349,333
Prize money	487,500	-	487,500
Operations	426,237	-	426,237
Artists, venues, speakers and jurors	297,670	-	297,670
Marketing	204,081	-	204,081
Depreciation and amortization	159,178	-	159,178
General and administrative	151,873	-	151,873
Business development	112,743	-	112,743
Community relations	104,011	-	104,011
Educational programming	86,591	-	86,591
Merchandise purchases	82,357	-	82,357
Technology expense	62,179	-	62,179
Public relations expense	52,751	-	52,751
Donated goods and services	25,000	-	25,000
Membership program	9,880	-	9,880
Total Expenses	3,611,384	-	3,611,384
Change in Net Assets	(271,513)	-	(271,513)
Net Assets, beginning of year	360,457	-	360,457
Net Assets, end of year	\$ 88,944	\$ -	\$ 88,944

See accompanying notes to financial statements.

ArtPrize Grand Rapids

Statement of Cash Flows

Year ended December 31, 2017

Cash From (for) Operating Activities

Change in net assets	\$ (271,513)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	159,178
Changes in operating assets and liabilities which provided (used) cash:	
Contributions receivable	2,061
Prepaid expenses	(8,172)
Merchandise inventory	5,506
Accounts payable	82,452
Deferred revenue	90,000
Accrued payroll	2,239

Net Cash From Operating Activities 61,751

Cash for Investing Activities

Purchases of fixed assets	(3,997)
Purchases of website development	(61,858)

Net Cash for Investing Activities (65,855)

Net Decrease in Cash and Cash Equivalents (4,104)

Cash and Cash Equivalents, beginning of year 25,571

Cash and Cash Equivalents, end of year \$ 21,467

See accompanying notes to financial statements.

ArtPrize Grand Rapids

Notes to Financial Statements

1. Significant Accounting Policies

Description of Operations

ArtPrize Grand Rapids (ArtPrize) was incorporated on March 16, 2009. ArtPrize is an international art competition, open to any artist and decided by public vote, promoting critical dialogue and collaboration throughout the year.

Basis of Presentation and Method of Accounting

The net assets of ArtPrize and the changes therein are classified and reported based upon the existence of donor-imposed restrictions. At December 31, 2017, ArtPrize reported the following classification:

Unrestricted net assets - represent resources that are not restricted, either temporarily or permanently, by donor-imposed stipulations. They are available for the support of all organizational operations and services.

Temporarily restricted net assets - represent resources with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted assets related to temporarily restricted net assets are recorded in cash and deferred revenue on the accompanying statement of financial position. During the year ended December 31, 2017, ArtPrize spent a portion of temporarily restricted funds on general operations with the approval of the donor.

The financial statements of ArtPrize have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Contributions received are recorded as unrestricted, unless there are donor-imposed restrictions.

Contributions Receivable

Unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are recognized as revenue when the conditions are met. Contributions that are not collected before year-end are recorded as contributions receivable on the statement of financial position. The balance at December 31, 2017 was \$1,584. The entire amount is due within one year.

ArtPrize maintains an allowance for doubtful accounts that reduces receivables to amounts that are expected to be collected. In estimating the allowance, management considers anticipated donor performance. When management determines that it is probable that an account will not be collected, it is written off against the allowance. No allowance was considered necessary at December 31, 2017.

ArtPrize Grand Rapids

Notes to Financial Statements

Merchandise Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market and consists primarily of ArtPrize merchandise such as apparel, accessories and printed goods.

Property and Equipment

ArtPrize capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives are three years for the property and equipment and five years for leasehold improvements.

ArtPrize periodically reviews all noncurrent assets that have finite lives and that are not held for sale for impairment by comparing the carrying value of the assets to their estimated future undiscounted cash flows.

Artwork

ArtPrize has received donations of artwork, which are recorded as revenue and an asset at the appraised value at the date of donation. Artwork is not depreciated, but reviewed annually for impairment.

Income Taxes

ArtPrize is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. ArtPrize is not aware of any material uncertain tax positions.

Donated Services

Certain functions of ArtPrize are performed by volunteers who have donated their services. The value of this contributed time is recorded at fair value of the services received as a contribution and related expense when the services would have otherwise been purchased. The total amount recorded in 2017 is immaterial.

Concentration of Credit Risk

Financial instruments, which subject ArtPrize to concentrations of credit risk, consist primarily of cash. Total deposits at times exceeded the amount insured by federal agencies and, therefore, bear a risk of loss. ArtPrize has not experienced any losses on these deposits.

Use of Estimates

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

ArtPrize Grand Rapids

Notes to Financial Statements

Subsequent Events

Management has evaluated subsequent events through February 16, 2018, the date the financial statements were available to be issued. See Note 8.

Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standard Update (ASU) 2016-14 to improve the presentation of financial statements of not-for-profit entities such as charities, foundations, universities and nonprofit health care providers. The changes to the nonprofit financial statement model are intended to provide more useful information to donors, grantors and other users. The ASU addresses net asset classes, investment return, expenses, liquidity and availability of resources and presentation of operating cash flows, and includes illustrative financial statements for not-for-profit entities reflecting the changes made by the new standard. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and early adoption is permitted. ArtPrize is currently evaluating the effect the provisions of ASU 2016-14 will have on its financial statements.

2. Fixed Assets

The following table summarizes fixed assets:

December 31, 2017

Property and equipment	\$	84,942
Leasehold improvements		33,776
		118,718
Less accumulated depreciation		(112,142)
	\$	6,576

Depreciation expense for the year ended December 31, 2017 was \$8,635.

3. Intangible Assets

ArtPrize capitalizes expenditures for intangible assets, which consist of trademarks and website development. Intangible assets are amortized using the straight-line method over the useful lives of the assets. Useful lives are three years for website development and eight years for trademarks. Amortization expense for the year ended December 31, 2017 was \$150,543. The gross carrying amount, accumulated amortization and net carrying value of intangible assets are as follows:

	Gross Carrying Amount	Accumulated Amortization	December 31, 2017
Trademarks	\$ 8,028	\$ (8,028)	\$ -
Website development	1,986,152	(1,776,420)	209,732
	\$ 1,994,180	\$ (1,784,448)	\$ 209,732

ArtPrize Grand Rapids
Notes to Financial Statements

Expected amortization of the intangible assets is as follows:

Year ending December 31,

2018	\$	126,035
2019		63,077
2020		20,620
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Total	\$	209,732

4. Related Party Transactions

ArtPrize paid rent to a related party in 2017 in the amount of \$32,136. ArtPrize also received \$266,000 from related parties in 2017.

5. Retirement Plan

ArtPrize provides a 401(k) profit sharing plan that covers all eligible employees. Employees are eligible to participate in the plan after six months of eligible service. Each participant may elect to contribute up to the maximum limit by federal law. ArtPrize matches each employee's contribution up to 3%. Employer contributions totaled \$36,056, for the year ended December 31, 2017. Effective January 1, 2017, the Company switched to a safe harbor plan to allow for higher deferral rates for all employees.

6. Sponsorship and Grant Agreements

ArtPrize has several multi-year sponsorship and grant agreements that extend out as far as 2020. These sponsorships will be recognized as revenue in the year of the sponsored event as follows:

Year ending December 31,

2018	\$	1,255,640
2019		665,000
2020		125,000
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Total	\$	2,220,640

As of December 31, 2017, ArtPrize had received \$208,000 in sponsorship intended for the 2018 event. ArtPrize properly accounted for this as deferred revenue.

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ArtPrize Grand Rapids
Notes to Financial Statements

7. Functional Expenses

A summary of expenses, by functional classification, is as follows:

Year ended December 31, 2017

Program expenses	\$ 2,506,186
General and administrative expenses	777,672
Fundraising expenses	327,526
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Total Expenses	\$ 3,611,384

8. Subsequent Event

During January 2018, ArtPrize entered into a new loan agreement with a related party in the amount of \$500,000, with zero interest and a maturity date of January 31, 2021.