

**Ferris Wheel Innovation Center
D.B.A. 100K Ideas
Financial Statements
December 31, 2019**



Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

Independent Auditors' Report

Management and the Board of Trustees
Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Flint, MI 48502

Report on the Financial Statements

We have audited the accompanying financial statements of Ferris Wheel Innovation Center, D.B.A. 100K Ideas which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 Ferris Wheel Innovation Center, D.B.A. 100K Ideas as of December 31, 2019, 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.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, Ferris Wheel Innovation Center, D.B.A. 100K Ideas changed its method of accounting for revenue recognition in 2019 as required by the provisions of FASB Accounting Standards Update 2014-09 *Revenue from Contracts with Customers*, and changed its method of accounting for contributions in 2019 as required by the provisions of FASB Accounting Standards Update 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Yeo & Yeo, P.C.

Flint, MI

June 26, 2020

Ferris Wheel Innovation Center, D.B.A 100K Ideas
Statement of Financial Position
December 31, 2019

	2019
Assets	
Current assets	
Cash and cash equivalents	\$ 648,399
Contributions and grants receivable	126,847
Total current assets	775,246
Property and equipment, net	2,831
Total assets	\$ 778,077
Liabilities and Net Assets	
Current liabilities	
Accounts payable	\$ 88,450
Accrued expenses	11,217
Refundable advance	26,639
Total liabilities	126,306
Net assets	
Without donor restrictions	
Undesignated	651,771
Total liabilities and net assets	\$ 778,077

Ferris Wheel Innovation Center, D.B.A 100K Ideas
Statement of Activities
For the Year Ended December 31, 2019

	2019
Revenue and support	
Program service fees	\$ 68,543
Contributions	870,831
State grants	42,886
Donated services	179,488
Other revenue	60
Total revenue and support	1,161,808
 Expenses	
Program services	\$ 935,563
Management and general	295,410
Fundraising	23,086
Total expenses	1,254,059
 Change in net assets	(92,251)
Net assets - beginning of year	744,022
Net assets - end of year	\$ 651,771

Ferris Wheel Innovation Center, D.B.A 100K Ideas
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total 2019
Salaries and related costs				
Salaries and wages	\$ 379,513	\$ 192,189	\$ 3,172	\$ 574,874
Payroll taxes	32,518	16,467	272	49,257
Employee benefits	17,577	8,901	147	26,625
Total salaries and related costs	429,608	217,557	3,591	650,756
Advertising and marketing	-	-	16,253	16,253
Awards and grants	185,985	-	-	185,985
Conferences and meetings	11,322	1,275	53	12,650
Client research	38,957	-	-	38,957
Depreciation	910	291	12	1,213
Dues and subscriptions	4,341	825	34	5,200
Insurance	7,512	881	37	8,430
Miscellaneous	662	94	4	760
Occupancy	38,956	13,713	571	53,240
Office expenses	8,215	1,727	72	10,014
Parking	2,865	941	39	3,845
Printing and postage	1,785	33	1	1,819
Professional and accounting fees	192,315	54,386	2,266	248,967
Repairs, maintenance, and equipment	6,621	2,443	102	9,166
Supplies	1,212	924	38	2,174
Telephone	4,297	320	13	4,630
Total expenses included in the expenses section on the statement of activities	\$ 935,563	\$ 295,410	\$ 23,086	\$ 1,254,059

Ferris Wheel Innovation Center, D.B.A 100K Ideas
Statement of Cash Flows
For the Year Ended December 31, 2019

	<u>2019</u>
Cash flows from operating activities	
Change in net assets	\$ (92,251)
Items not requiring cash	
Depreciation	1,213
Changes in operating assets and liabilities	
Contributions and grants receivable	26,567
Accounts payable	(63,415)
Accrued expenses	4,285
Refundable advance	<u>26,639</u>
 Net change in cash and cash equivalents	 (96,962)
 Cash and cash equivalents - beginning of year	 <u>745,361</u>
 Cash and cash equivalents - end of year	 <u>\$ 648,399</u>

Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Notes to the Financial Statements
December 31, 2019

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Ferris Wheel Innovation Center, D.B.A. 100K Ideas (the "Organization") is a Michigan non-profit organization, based in Flint, Michigan. The organization has been organized to provide experiential education and practical training to students, mainly in underprivileged, urban or rural areas as they are guided in aiding inventors, innovators, and entrepreneurs at any stage in bringing products from concept to market.

Basis of Accounting

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

Basis of Presentation

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 certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed 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 imposed restrictions are perpetual in nature, where the donor stipulates that resources be 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 imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents. As of December 31, 2019 \$401,266 of the organization's bank balance of \$651,266 was in excess of the amount insured by the FDIC.

Contribution and Grant Receivable

The Organization uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review, no allowance was deemed necessary as of December 31, 2019.

It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures in excess of \$2,500 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Major improvements are capitalized while ordinary maintenance and repairs are expensed.

The Organization evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Notes to the Financial Statements
December 31, 2019

Gifts of land, buildings, equipment and other long-lived assets are also reported as revenue without donor restrictions and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. In addition to a significant amount of volunteered services which do not meet the criteria to be recorded, donated professional services were provided for the business related and accounting services totaling \$179,488 for the year ended December 31, 2019.

Advertising

The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the year ended December 31, 2019 was \$16,253.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

Expense	Method and Allocation
Grants	Time and effort
Salaries and benefits	Time and effort
Occupancy	Full time equivalent
Professional services	Full time equivalent
Depreciation	Full time equivalent
Other	Time and effort

Income Tax Status

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization other than a private foundation, as described in Section 509(a). The Organization files information returns in the U.S. Federal and Michigan jurisdiction.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Notes to the Financial Statements
December 31, 2019

Subsequent Events

Management has evaluated subsequent events through June 26, 2020, which is the date the financial statements were available to be issued.

Change in Accounting Principle

The Organization adopted ASU 2018-08 Not-for-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of the beginning of the year ended December 31, 2019. This has been adopted using the prospective approach. Net assets did not change as a result of this change.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles of recognizing revenue, create common revenue recognition guidance, and improve disclosures. Accordingly, the Organization has elected to implement this standard using a full retrospective adjustment of the prior year financial statements. Net assets did not change as a result of this change.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Total
Cash and cash equivalents	\$ 648,399
Contributions and grants receivable	126,847
Financial assets available to meet cash needs for general expenditures within one year	\$ 775,246

As part of the liquidity management plan, the Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$314,000).

Note 3 - Property and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	2019	Estimated Useful Life
Furniture and equipment	\$ 6,067	5 - 7 years
Less: accumulated depreciation	(3,236)	
	\$ 2,831	

Note 4 - Grants Payable

The Organization has grants payable which is included in accounts payable, consisting of scholarships and awards, for \$80,000 at December 31, 2019 scheduled to be disbursed in 2020.

Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Notes to the Financial Statements
December 31, 2019

Note 5 - Operating Lease

The Organization is renting office space from the Flint Ferris Building, LLC. The current lease expires November, 2022. Also included in the agreement, the Organization must pay common area maintenance charges to maintain the premises. Future minimum lease payments are as follows:

2020	\$	44,935
2021		46,978
2022		<u>49,020</u>
	\$	<u><u>140,933</u></u>

Additionally, during 2019, the Organization began renting additional office space from the Flint Development Center which shall remain ongoing however is cancelable at any time. Future minimum lease payments are as follows:

2020	\$	1,500
2021		1,500
2022		1,500
2023		1,500
2024		<u>1,500</u>
	\$	<u><u>7,500</u></u>

Total lease expense for 2019 was \$ 53,240.

Note 6 - Revenue from Contracts with Customers

The following summarizes revenue by type for the year ended December 31, 2019:

	<u>2019</u>
Revenue from contracts with customers	\$ 68,543
Contribution revenue	913,717
Other revenue	<u>179,548</u>
Total revenue	<u><u>\$ 1,161,808</u></u>

The revenue from contracts with customers for the year ended December 31, 2019 consists of:

	<u>2019</u>
Revenue earned at a point in time	<u><u>\$ 68,543</u></u>

Revenue earned at a point in time consists of initial assessment fees and hourly fees for providing local entrepreneurs an idea assessment binder as well as additional services such as logo creation, CAD drawing, creation of prototypes, test sales, supply chain research, and more. The services are typically provided by appointment and payment for services is provided at exchange of assessment or at an hourly rate beyond that. Because those receiving the services are paying timely, there is no constraint.

Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Notes to the Financial Statements
December 31, 2019

Note 7 - Related Party Transactions

In 2017, the Organization entered into agreements with the related parties Flint Ferris Building, LLC. and SkyPoint Ventures for office space rental (see Note 5) and accounting services. These related parties are owned by members of the Board of Directors for 100K Ideas. The related Board of Directors abstained from voting on these agreements. Payments made in 2019 for accounting services totaled \$ 189,213. Payments made in 2019 for office space rental and common area maintenance totaled \$ 83,825.

Additionally, in 2019, the board president of 100K Ideas, provided a contribution to the Organization in the amount of \$10,000.

Note 8 - Concentration

\$ 118,441 of the Organization's \$ 126,847 receivable balance at year end was due from one third-party payor. The Organization does not require collateral or security for any accounts receivable.

Note 9 - Subsequent Event

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impacts to the Organization as of June 26, 2020, management believes that an impact on the Organization's financial position and results of future operations is reasonably possible.