

**Ferris Wheel Innovation Center
D.B.A. 100K Ideas
Financial Statements
December 31, 2020**



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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, 2020, 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, 2020, 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.

Yeo & Yeo, P.C.

Flint, MI
July 9, 2021

Ferris Wheel Innovation Center, D.B.A 100K Ideas
Statement of Financial Position
December 31, 2020

Assets

Current assets	
Cash and cash equivalents	\$ 548,685
Contributions and grants receivable	<u>77,416</u>
Total current assets	626,101
Property and equipment, net	<u>1,618</u>
Total assets	<u>\$ 627,719</u>

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 22,514
Accrued expenses	14,954
PPP loan payable, current portion	<u>84,470</u>
Total current liabilities	121,938
Long-term liabilities	
PPP loan payable, net of current portion	<u>33,563</u>
Total liabilities	<u>155,501</u>
Net assets	
Without donor restrictions	
Undesignated	<u>448,628</u>
With donor restrictions	
Purpose restrictions	<u>23,590</u>
Total net assets	<u>472,218</u>
Total liabilities and net assets	<u>\$ 627,719</u>

Ferris Wheel Innovation Center, D.B.A 100K Ideas
Statement of Activities
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Program service fees	\$ 16,846	\$ -	\$ 16,846
Contributions	298,193	78,639	376,832
State grants	292,682	-	292,682
Donated services	65,464	-	65,464
Other revenue	5,177	-	5,177
Net assets released from restrictions	<u>55,049</u>	<u>(55,049)</u>	<u>-</u>
Total revenue and support	<u>733,411</u>	<u>23,590</u>	<u>757,001</u>
Expenses			
Program services	\$ 718,973	\$ -	\$ 718,973
Management and general	208,114	-	208,114
Fundraising	<u>9,467</u>	<u>-</u>	<u>9,467</u>
Total expenses	<u>936,554</u>	<u>-</u>	<u>936,554</u>
Change in net assets	(203,143)	23,590	(179,553)
Net assets - beginning of year	<u>651,771</u>	<u>-</u>	<u>651,771</u>
Net assets - end of year	<u>\$ 448,628</u>	<u>\$ 23,590</u>	<u>\$ 472,218</u>

Ferris Wheel Innovation Center, D.B.A 100K Ideas
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and related costs				
Salaries and wages	\$ 327,854	\$ 116,553	\$ -	\$ 444,407
Payroll taxes	27,651	9,830	-	37,481
Employee benefits	11,000	3,911	-	14,911
	<u>366,505</u>	<u>130,294</u>	<u>-</u>	<u>496,799</u>
Advertising and marketing	-	-	8,391	8,391
Awards and grants	155,791	-	-	155,791
Conferences and meetings	1,402	1,275	-	2,677
Client research	17,917	-	-	17,917
Depreciation	922	291	-	1,213
Dues and subscriptions	9,589	825	-	10,414
Insurance	6,738	881	-	7,619
Miscellaneous	381	94	-	475
Occupancy	44,242	13,713	-	57,955
Office expenses	707	1,727	-	2,434
Parking	3,139	941	-	4,080
Printing and postage	-	-	283	283
Professional and accounting fees	107,304	54,386	-	161,690
Repairs, maintenance, and equipment	1,065	2,443	-	3,508
Supplies	111	924	793	1,828
Telephone	3,160	320	-	3,480
	<u>718,973</u>	<u>208,114</u>	<u>9,467</u>	<u>936,554</u>
Total expenses included in the expenses section on the statement of activities	<u>\$ 718,973</u>	<u>\$ 208,114</u>	<u>\$ 9,467</u>	<u>\$ 936,554</u>

Ferris Wheel Innovation Center, D.B.A 100K Ideas
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash flows from operating activities

Change in net assets	\$ (179,553)
Items not requiring cash	
Depreciation	1,213
Changes in operating assets and liabilities	
Contributions and grants receivable	49,431
Accounts payable	(65,936)
Accrued expenses	<u>(22,902)</u>
 Net cash provided (used) by operating activities	 <u>(217,747)</u>

Cash flows from financing activities

Proceeds from PPP loan payable	<u>118,033</u>
 Net change in cash and cash equivalents	 (99,714)
Cash and cash equivalents - beginning of year	<u>648,399</u>
Cash and cash equivalents - end of year	<u><u>\$ 548,685</u></u>

Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Notes to the Financial Statements
December 31, 2020

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, 2020 \$306,613 of the organization's bank balance of \$556,613 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, 2020.

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
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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.

Paycheck Protection Program (PPP) Loan

The Organization accounts for the PPP loan as a financial liability in accordance with *FASB ASC 470 Debt*. Interest is accrued throughout the life of the loan, even when no payments are currently due.

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 \$65,464 for the year ended December 31, 2020.

Advertising

The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the year ended December 31, 2020 was \$8,391.

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.

Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Notes to the Financial Statements
December 31, 2020

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.

Subsequent Events

Management has evaluated subsequent events through July 9, 2021, which is the date the financial statements were available to be issued.

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:

Cash and cash equivalents		\$ 548,685
Contributions and grants receivable		<u>77,416</u>
 Total financial assets - end of year		 \$ 626,101
 Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with purpose restrictions		<u>(23,590)</u>
 Financial assets available to meet cash needs for general expenditures within one year		 <u><u>\$ 602,511</u></u>

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 \$234,000).

Note 3 - Conditional Promises to Give

During the fiscal year, the Organization received conditional promises to give related to local and state grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose. The conditional contributions consisted of the following as of December 31, 2020:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent to Date	Conditional Contribution
Business Incubator Project	<u>\$ 1,825,000</u>	<u>\$ 1,695,613</u>	<u>\$ 129,387</u>

Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Notes to the Financial Statements
December 31, 2020

Note 4 - Property and Equipment

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

	2020	Estimated Useful Life
Furniture and equipment	\$ 6,067	5 - 7 years
Less: accumulated depreciation	(4,449)	
	\$ 1,618	

Depreciation expense for the year ended December 31, 2020 was \$1,213.

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:

2021	\$ 46,978
2022	49,020
	\$ 95,998

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

2021	\$ 1,500
2022	1,500
2023	1,500
2024	1,500
	\$ 6,000

Total lease expense for the year ended December 31, 2020 was \$57,955.

Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Notes to the Financial Statements
December 31, 2020

Note 6 - PPP Loan Payable

Paycheck Protection Program (PPP) Loan payable to the Federal government in monthly principal installments of \$6,609 plus interest at 1% through May 2022.	\$ 118,033
Less current portion	<u>(84,470)</u>
Long-term debt, net of current portion	<u><u>\$ 33,563</u></u>

During the fiscal year, the Organization received a Paycheck Protection Program (PPP) Loan of \$118,033 funded by the Federal government through the Small Business Administration. The PPP loan and any accrued interest are forgivable after twenty four weeks as long as the borrower meets certain criteria. The loan proceeds must be used for eligible purposes, including payroll, health insurance, retirement plans, state and local taxes assessed on employee compensation, mortgage interest, rent, and utilities. The criteria also reduces loan forgiveness for certain reductions in salaries or reductions in FTEs. When final forgiveness, if any, is determined, a gain on extinguishment of debt will be realized for any forgiven amounts. There is a deferral of payments until loan forgiveness is determined or 10 months after the last day of the covered period, whichever occurs first.

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2020</u>
Subject to expenditure for specified purpose:	
Pitch Program	<u><u>\$ 23,590</u></u>

Note 8 - Net Assets Released From Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31:

	<u>2020</u>
Satisfaction of purpose restrictions	
Pitch Programs	<u><u>\$ 55,049</u></u>

Ferris Wheel Innovation Center, D.B.A. 100K Ideas
Notes to the Financial Statements
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Note 9 - Revenue from Contracts with Customers

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

	<u>2020</u>
Revenue from contracts with customers	\$ 16,846
Contribution revenue	669,514
Other revenue	<u>70,641</u>
Total revenue	<u>\$ 757,001</u>

The revenue from contracts with customers for the year ended December 31, 2020 consists of:

	<u>2020</u>
Revenue earned at a point in time	<u>\$ 16,846</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.

Note 10 - 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. Donated services in 2020 for accounting services totaled \$65,464. Payments made in 2020 for office space rental and common area maintenance totaled \$100,774.

Note 11 - Concentration

The majority of the Organization's receivables are due from one third-party payor. \$66,510 of the Organization's \$77,416 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 12 - COVID-19 Pandemic

Subsequent to December 31, 2020, as result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. Management is hopeful that the impact is temporary in nature and should not affect the majority of their operations.