

FERRIS WHEEL INNOVATION CENTER
D.B.A 100K IDEAS

FLINT, MICHIGAN

REPORT FOR THE YEAR ENDED DECEMBER 31, 2021



May 13, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ferris Wheel Innovation Center, D.B.A 100K Ideas

Opinion

We have audited the accompanying financial statements of Ferris Wheel Innovation Center, D.B.A 100K Ideas, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ferris Wheel Innovation Center, D.B.A 100K Ideas, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ferris Wheel Innovation Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ferris Wheel Innovation Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ferris Wheel Innovation Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprise nonfinancial client achievement metrics and client demographic metrics but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

FINANCIAL STATEMENTS

	<u>PAGE</u>
EXHIBIT A - Statements of Financial Position	1
EXHIBIT B - Statements of Activities	2
EXHIBIT C - Statements of Functional Expenses	3
EXHIBIT D - Statements of Cash Flows	4
Notes to Financial Statements	5 – 10

FERRIS WHEEL INNOVATION CENTER, D.B.A 100K IDEAS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

	<u>2021</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$526,444
Contributions and Grants Receivable	94,435
Total Current Assets	<u>\$620,879</u>
<u>FIXED ASSETS - NET</u>	<u>404</u>
<u>TOTAL ASSETS</u>	<u>\$621,283</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$8,839
Accrued Expenses	19,870
Total Current Liabilities	<u>\$28,709</u>
<u>NET ASSETS</u>	
Without Donor Restrictions	
Undesignated	\$551,273
With Donor Restrictions	
Purpose Restrictions	41,301
Total Net Assets	<u>\$592,574</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$621,283</u>

See accompanying notes and auditor's opinion.

FERRIS WHEEL INNOVATION CENTER, D.B.A 100K IDEAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
<u>REVENUE and SUPPORT</u>			
Program Service Fees	\$20,081	\$0	\$20,081
Contributions	5,002	0	5,002
Grants	756,822	56,000	812,822
PPP Loan Forgiveness	118,033	0	118,033
Other Revenue	5,101	0	5,101
Total Revenue and Support	<u>\$905,039</u>	<u>\$56,000</u>	<u>\$961,039</u>
Net Assets Released from Restrictions	38,289	(38,289)	0
Total Revenue	<u>\$943,328</u>	<u>\$17,711</u>	<u>\$961,039</u>
<u>EXPENSES</u>			
Functional Expenses:			
Program Services	618,311	0	618,311
Management and General	205,850	0	205,850
Fundraising	16,522	0	16,522
Total Expenses	<u>\$840,683</u>	<u>\$0</u>	<u>\$840,683</u>
Change in Net Assets	\$102,645	\$17,711	\$120,356
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>448,628</u>	<u>23,590</u>	<u>472,218</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$551,273</u>	<u>\$41,301</u>	<u>\$592,574</u>

See accompanying notes and auditor's opinion.

FERRIS WHEEL INNOVATION CENTER, D.B.A 100K IDEAS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021			
	Program Services	Management and General	Fundraising	Total
Salaries and Related Costs				
Salaries and Wages	\$373,657	\$94,057	\$7,704	\$475,418
Payroll Taxes	31,741	7,990	654	40,385
Employee Benefits	19,440	11,326	685	31,451
Total Payroll Expense	<u>\$424,838</u>	<u>\$113,373</u>	<u>\$9,043</u>	<u>\$547,254</u>
Advertising and Marketing	8,186	980	5,000	14,166
Awards and Grants	62,828	0	2,150	64,978
Conferences and Meetings	13,593	291	0	13,884
Depreciation	0	1,213	0	1,213
Dues and Subscriptions	21,269	7,500	0	28,769
Insurance	0	8,213	0	8,213
Miscellaneous	0	800	0	800
Occupancy	60,126	0	0	60,126
Office Expenses	240	3,241	0	3,481
Parking	0	5,010	0	5,010
Printing and Postage	527	2,029	0	2,556
Professional and Accounting Fees	25,385	56,874	329	82,588
Repairs, Maintenance, and Equipment	1,218	1,667	0	2,885
Supplies	101	848	0	949
Telephone	0	3,811	0	3,811
Total Functional Expenses	<u>\$618,311</u>	<u>\$205,850</u>	<u>\$16,522</u>	<u>\$840,683</u>

See accompanying notes and auditor's opinion.

FERRIS WHEEL INNOVATION CENTER, D.B.A 100K IDEAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Change in Net Assets	\$120,356
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	1,213
PPP Loan Forgiveness	(118,033)
(Increase) in Assets:	
Contributions and Grants Receivable	(17,020)
Increase (Decrease) in Liabilities:	
Accounts Payable	(13,674)
Accrued Expenses	4,917
	(22,241)
Net Cash (Used In) Operating Activities	(\$22,241)
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	(\$22,241)
Cash and Cash Equivalents at Beginning of Year	548,685
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$526,444

See accompanying notes and auditor's opinion.

FERRIS WHEEL INNOVATION CENTER, D.B.A 100K IDEAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Ferris Wheel Innovation Center, D.B.A 100K Ideas, (the "Organization") is a Michigan nonprofit 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 through the product development process from concept to market.

BASIS OF ACCOUNTING

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

FINANCIAL STATEMENT 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. The governing body has designated, from net assets without donor restrictions, net assets that are undesignated, net assets for an operating reserve, and board-designated assets.

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. 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 available for current use with a maturity date of ninety days or less at the date of purchase to be cash and cash equivalents.

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, 2021.

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

PROPERTY AND EQUIPMENT

Acquired assets are stated at cost and donated assets at fair market value at the time of donation. Expenditures for new acquisition, renewal, and betterments in excess of \$2,500 which increase productive capacity or prolong service lives of the equipment are capitalized. Maintenance and repairs which do not enhance the value or extend the useful life are expensed as incurred.

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 for financial reporting is computed using the straight-line method over the useful lives of the related assets.

FERRIS WHEEL INNOVATION CENTER, D.B.A 100K IDEAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT (Continued)

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restriction when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies with donor restriction net assets to without donor restriction net assets at that time.

REVENUE RECOGNITION

Program service fees are accounted for in accordance with ASC 606. Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. See Note 9 for additional information for revenue from contracts with customers.

Contributions and grants are accounted for in accordance with ASC 958. Contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promise to give are made. Contributions and grants with conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The amounts received are considered available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization limits the amount of credit exposure to any one financial institution and invests in accounts with high credit quality. At December 31, 2021, the Organization's bank balance was \$531,924. The amount uninsured and uncollateralized at year end was \$281,924

ADVERTISING COSTS

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$14,166 for the year ended December 31, 2021.

FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities have been summarized on the functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. Grant, salaries and benefits, and other expenses are allocated using time and effort method. Occupancy, professional services, and depreciation are allocated using full time equivalent method.

INCOME TAXES

Ferris Wheel Innovation Center, D.B.A 100K Ideas is a Michigan organization that qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and classified by the Internal Revenue Service as other than a private foundation, as described in Section 509(a). The Organization files information returns in the U.S. Federal and Michigan jurisdictions.

The Organization does not have any accruals or uncertain tax positions that materially impact the financial statements. It is not anticipated that unrecognized tax benefits would significantly increase or decrease within the next twelve months of the reporting date.

FERRIS WHEEL INNOVATION CENTER, D.B.A 100K IDEAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2) LIQUIDITY AND AVAILABILITY

The investment policy is designed to ensure adequate financial assets are available to meet general operating expenditures, liabilities, and other obligations as they become due. Financial assets available within one year of December 31, 2021 for general expenditure that are without donor or other restrictions limiting their use comprise the following:

	<u>2021</u>
Cash and Cash Equivalents	\$ 526,444
Contributions and Grants Receivable	94,435
Total Financial Assets – End of Year	<u>\$ 620,879</u>
Less: Financial assets unavailable for general expenditures within one year due to:	
Donor-imposed purpose restrictions	<u>(41,301)</u>
Total Financial Assets Available to meet cash needs for general expenditures within one year	<u>\$ 579,578</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 \$225,000).

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, 2021:

Condition/Grant Purpose	Total Contract/Grant <u>Amount</u>	<u>Spent to Date</u>	Conditional <u>Contribution</u>
Business Incubator Project	\$ 2,085,000	\$ 2,009,873	\$ 75,127
City of Flint Navigator Pilot Program	<u>40,000</u>	<u>4,562</u>	<u>35,438</u>
Total Conditional Promises to Give	<u>\$ 2,125,000</u>	<u>\$ 2,014,435</u>	<u>\$ 110,565</u>

FERRIS WHEEL INNOVATION CENTER, D.B.A 100K IDEAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

4) PROPERTY AND EQUIPMENT

Major classifications of property and equipment and their respective depreciable lives are summarized below:

	2021	Depreciable Live (Years)
Furniture and Equipment	\$ 6,067	5 - 7
Less: Accumulated Depreciation	(5,663)	
<u>FIXED ASSETS – NET</u>	<u>\$ 404</u>	

Depreciation expense was \$1,213 for the year ended December 31, 2021.

5) OPERATING LEASE

The Organization rents office space from the Flint Ferris Building, LLC, a related party until September 2021 (See Note 10). 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:

YEAR ENDING	AMOUNT
2022	\$ 49,020

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:

YEAR ENDING	AMOUNT
2022	\$ 1,500
2023	1,500
2024	1,500
2025	1,500
2026	1,500
<u>TOTAL</u>	<u>\$ 7,500</u>

6) PAYROLL PROTECTION PROGRAM

The Organization received a Payroll Protection Program “PPP” loan of \$118,033 funded by the Federal government through the Small Administration from Huntington Bank in May 2020. The PPP loan was designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loan was forgiven in March 2021 and recognized as income in the statement of activities.

7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021:

	2021
Subject to expenditure for specific purpose:	
Pitch Program	\$ 41,301

FERRIS WHEEL INNOVATION CENTER, D.B.A 100K IDEAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021:

	<u>2021</u>
Satisfaction of purpose restriction:	
Pitch Programs	<u>\$ 38,289</u>

9) REVENUE FROM CONTRACTS WITH CUSTOMERS

The following summarizes revenue by type for the year ended December 31, 2021:

	<u>2021</u>
Revenue from contracts with customers	\$ 20,081
Contribution revenue	817,824
Other revenue	<u>123,134</u>
Total Revenue	<u>\$ 961,039</u>

The revenue from contracts with customers for the year ended December 31, 2021 consists of:

	<u>2021</u>
Revenue earned at a point in time	<u>\$ 20,081</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.

10) RELATED PARTY TRANSACTIONS

In 2017, the Organization entered into an agreement with the related party Flint Ferris Building, LLC. for office space rental (see Note 5). This related party was owned by members of the Board of Directors for 100K Ideas. The related Board of Directors abstained from voting on these agreements. Ferris Wheel Building, LLC was sold in September 2021 to an unrelated party. Payments made through September 2021 for office space rental and common area maintenance totaled \$50,297.

11) CONCENTRATION

The majority of the Organization's receivables are due from two third-party payors. \$89,872 of the Organization's \$94,435 receivable balance at year end was due from two third-party payors. The Organization does not require collateral or security for any accounts receivable.

12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's opinion, the date on which the financial statements were available to be issued.

FERRIS WHEEL INNOVATION CENTER, D.B.A 100K IDEAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

15) UPCOMING ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*". When effective, ASU 2016-02, modified, will supersede "FASB ASC 840, *Leases*", and add "Topic 842, *Leases*", to the FASB ASC. The new standard will require lessees to recognize most leases on their balance sheets as liabilities, with corresponding "right-of-use" assets. For income statement recognition purposes, leases will be classified as either a finance or an operating lease without relying upon the bright-line tests under current U.S. GAAP. For entities other than public business entities, certain not-for-profit entities, and certain employee benefit plans, ASU 2016-02 is currently effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted. The Organization currently evaluating the impact of adopting the guidance.