

**Living Arts**  
**Financial Statements**  
**June 30, 2015**

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## Independent Auditors' Report

To the Board of Directors of  
Living Arts  
Detroit, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of Living Arts, which comprise the statement of financial position as of June 30, 2015, 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.

### 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 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 Living Arts as of June 30, 2015, 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.*

Ann Arbor, Michigan  
January 22, 2016

**Living Arts**  
**Statement of Financial Position**  
**June 30, 2015**

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**Assets**

Current assets

Cash	\$ 376,907
Accounts receivable	34,020
Grants receivable - current	138,479
Pledges receivable - current	9,757
Prepaid expenses	<u>6,076</u>

Total current assets 565,239

Other assets

Property and equipment, net	4,536
Pledges receivable - noncurrent	<u>14,768</u>

Total other assets 19,304

**Total assets** **\$ 584,543**

**Liabilities and Net Assets**

Current liabilities

Accounts payable	\$ 17,859
Accrued expenses	<u>20,651</u>

Total liabilities 38,510

Net assets

Unrestricted	253,588
Temporarily restricted	<u>292,445</u>

Total net assets 546,033

**Total liabilities and net assets** **\$ 584,543**

**Living Arts**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Contributions	\$ 44,909	\$ 4,600	\$ 49,509
Grants	293,712	450,500	744,212
In-kind contributions	30,265	-	30,265
Special events	1,753	-	1,753
Student fees	24,372	-	24,372
Contract service fees	163,735	-	163,735
Gain on disposal of asset	16,546	-	16,546
Interest income	82	-	82
Other revenue	3,972	-	3,972
Net assets released from temporary restrictions	<u>195,471</u>	<u>(195,471)</u>	<u>-</u>
Total revenue and support	<u>774,817</u>	<u>259,629</u>	<u>1,034,446</u>
<b>Functional Expenses</b>			
Program	626,737	-	626,737
Management and general	60,867	-	60,867
Fundraising	<u>59,735</u>	<u>-</u>	<u>59,735</u>
Total functional expenses	<u>747,339</u>	<u>-</u>	<u>747,339</u>
Change in net assets	27,478	259,629	287,107
<b>Net assets, beginning of year</b>	<u>226,110</u>	<u>32,816</u>	<u>258,926</u>
<b>Net assets, end of year</b>	<u>\$ 253,588</u>	<u>\$ 292,445</u>	<u>\$ 546,033</u>

See Accompanying Notes to the Financial Statements

**Living Arts**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2015**

	Program					Total Program	Management and General	Fundraising	Total
	OSA	Early Learning EI Arte	Elementary- Middle EI Arte	Community Programs	DCAA				
Bad debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650	\$ 1,245	\$ 1,895
Bank service charges	92	-	-	-	-	92	726	247	1,065
Costume expenses	10,099	-	-	-	-	10,099	-	-	10,099
Depreciation	1,887	239	229	-	-	2,355	198	19	2,572
Dues and subscriptions	631	504	292	11	-	1,438	104	5,120	6,662
Education	392	477	321	8	-	1,198	817	62	2,077
Equipment and repairs	2,145	312	2,667	7	-	5,131	128	59	5,318
Fees, licenses, and permits	28	32	78	1	-	139	81	108	328
Field trip expense	696	-	-	-	-	696	-	-	696
Fundraising	136	-	-	5	-	141	49	3,767	3,957
Health insurance	2,003	2,561	1,660	28	1,031	7,283	323	358	7,964
Hospitality	1,378	1,606	1,001	272	-	4,257	470	2,472	7,199
Insurance	2,180	2,533	1,403	42	41	6,199	368	315	6,882
Interest expense	-	-	-	-	-	-	141	-	141
Professional services	6,920	15,364	4,397	157	505	27,343	3,432	1,294	32,069
Marketing	2,791	1,355	963	1,234	-	6,343	689	1,223	8,255
Office supplies	930	696	436	47	-	2,109	190	295	2,594
Payroll taxes	8,489	7,921	6,095	383	571	23,459	3,282	1,822	28,563
Postage and delivery	315	357	213	8	-	893	113	65	1,071
Printing and reproduction	879	855	422	15	-	2,171	149	121	2,441
Program contract labor	45,223	90,887	82,009	9,727	7,818	235,664	7,628	8,018	251,310
Program material and supplies	1,488	2,727	4,195	204	-	8,614	-	-	8,614
Rent and security	32,705	4,433	2,625	101	250	40,114	3,965	824	44,903
Repairs and maintenance	-	-	-	-	-	-	327	-	327
Salary and wages	83,630	84,653	45,471	8,852	7,706	230,312	36,585	31,937	298,834
Telephone and fax	756	297	182	7	45	1,287	67	60	1,414
Travel	157	5,373	136	3	-	5,669	37	23	5,729
Utilities	792	888	618	22	-	2,320	226	180	2,726
Web and internet expense	479	539	331	12	50	1,411	122	101	1,634
<b>Total functional expenses</b>	<b>\$ 207,221</b>	<b>\$ 224,609</b>	<b>\$ 155,744</b>	<b>\$ 21,146</b>	<b>\$ 18,017</b>	<b>\$ 626,737</b>	<b>\$ 60,867</b>	<b>\$ 59,735</b>	<b>\$ 747,339</b>

See Accompanying Notes to the Financial Statements

**Living Arts**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

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**Cash flows from operating activities**

Change in net assets	\$	287,107
Items not requiring cash		
Depreciation		2,572
Bad debt		1,895
Changes in operating assets and liabilities		
Accounts receivable		(6,113)
Grants receivable		(55,326)
Pledges receivable		(12,481)
Due from collaborative		2,536
Prepaid expenses		(1,076)
Accounts payable		(1,207)
Accrued expenses		<u>12,253</u>
Net cash flows provided by operating activities		230,160

**Cash flows from investing activities**

Purchase of property and equipment		<u>(2,357)</u>
Net change in cash and cash equivalents		227,803

Cash and cash equivalents - beginning of year		<u>149,105</u>
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<b>Cash and cash equivalents - end of year</b>	<b>\$</b>	<b><u><u>376,908</u></u></b>
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**Living Arts**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1 – Summary of Significant Accounting Policies**

This summary of significant accounting policies of Living Arts (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are a representation of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Organization**

The Organization is a Michigan nonprofit corporation organized to strengthen the youth and neighborhoods of Detroit through dance education, multi-disciplinary arts-infused academics, and community arts programs that spark the imagination and foster learning through arts and culture. Programming is organized into four interrelated categories: after-school dance instruction, arts-infused education, arts and cultural workshops, and community events in the southwest Detroit and broader community.

**Revenue Recognition**

The Organization's sources of support and revenue include grants, contributions and student fees, contract service fees and special events. Revenue is recognized using the accrual method.

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Grants are reported as temporarily restricted revenue if they are received with grantor stipulations that limit the use of the donated assets. When a grantor 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 changes in net assets as a satisfaction of time or program restrictions.

Unconditional promises to give are presented at their estimated collectable amount. Management regularly reviews the collection history of its pledges receivable balances with particular attention given to those accounts greater than ninety (90) days old. Based on management's review, there is no allowance at June 30, 2015.

**Basis of Accounting**

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

**Income Taxes**

The Organization is a non-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income, or most other forms of taxation, in the normal course of business.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as unrestricted cash on hand and demand deposits in banks, plus short-term investments that are readily convertible to cash, as well as investments with original maturities of three months or less.



**Living Arts**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization has received contributions with donor-imposed restrictions. However, there were no permanently restricted net assets as of June 30, 2015.

**Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Donated Services**

Donated services that create or enhance a non-financial asset, or are specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated, are valued at the estimated fair value at the date the service is provided and totaled \$5,915 for the year ending June 30, 2015.

**Donated Facility**

Donated facilities are recorded at the estimated fair rental value, \$24,350 for the year ending June 30, 2015.

**Property and Equipment**

Property and equipment purchased by the Organization is carried on its books at cost. Property and equipment donated to the Organization has been recorded at its estimated value at the date of receipt by the Organization. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently.

Depreciation of property and equipment is provided under the straight-line method over the following estimated useful lives

Furniture	5 Years
Equipment	3 Years
Computer software	3 Years

Gains or losses from the sale of property and equipment are recorded in the statement of activities.

**Living Arts**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure through January 22, 2016 the date the financial statements were available to be issued.

**Note 2 – Credit Risk**

The Organization does not believe it is exposed to any significant credit risk in cash. All amounts at financial institutions are insured by the FDIC up to \$250,000. As of June 30, 2015, \$48,275 was not insured.

**Note 3 – Property and Equipment**

Property and equipment consisted of the following at June 30, 2015:

Furniture	\$ 3,535
Equipment	29,317
Computer software	<u>22,660</u>
Gross property and equipment	55,512
Less: accumulated depreciation	<u>50,976</u>
Net property and equipment	<u>\$ 4,536</u>

Depreciation expense for the year ending June 30, 2015 totaled \$2,572.

**Note 4 – Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following as of June 30, 2015:

Silkman Foundation	\$ 50,049
Erb Foundation	25,000
Ford Motor Company Fund	119,990
W.K. Kellogg Foundation	44,999
Kresge Foundation	25,000
Michigan Humanities Council	12,000
Other	<u>15,407</u>
Total	<u>\$ 292,445</u>

Net assets from these donors are reported as increases in unrestricted net assets as the donor-imposed purpose restrictions are met.

**Living Arts**  
**Notes to the Financial Statements**  
**June 30, 2015**

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Temporarily restricted net assets were released from restrictions during the year ended June 30, 2015 by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Ford Motor Company Fund	\$ 122,010
Honda	19,093
Kellogg Foundation	9,060
PNC Foundation	8,000
Skillman Foundation	13,232
Knight	7,013
Others	<u>17,063</u>
 Total assets released from temporarily restricted net assets	 <u>\$ 195,471</u>

**Note 5 – Lease Commitments**

The Organization leased office space under the terms of a two-year lease agreement beginning November 1, 2011 requiring monthly payments in the amount of \$1,020.

In addition, the Organization entered into a two-year lease for program space beginning November 1, 2013 requiring monthly payments in the amount of \$1,071.

The Organization also periodically rents an auditorium for an annual event.

Future minimum lease payments under operating lease agreements for the next year is as follows:

2016	\$ 8,568
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**Note 6 – Due From Collaborative**

The Organization is one of four agencies that represent a collaborative called the Detroit Community Arts Alliance (DCAA). The four collaborating organizations entered into an agreement on October 1, 2012 for a one-year term. The agreement renews for consecutive one-year terms thereafter. Any collaborating organization may terminate their participation in this agreement at any time with at least ninety (90) days written notice to the other collaborating organizations.

The mission of DCAA was to build capacity by working jointly in order to assure the sustainability of its collaborating organizations, allowing them to strengthen arts programming and opportunities for the communities and individuals they serve. To that end, the collaborating organizations share aspects of their operations to create efficiencies and support each collaborating organization to more effectively execute its mission. With shared staffing (development director and grant writer) and shared consultants (strategic planners, accountants, and development support) the collaborating organizations have applied for and have been awarded numerous grants and have improved the operations of their individual organizations by incorporating nonprofit management best practices.

DCAA was designed as a mutually beneficial collaborative and since DCAA is not an entity in its own right, the revenue and expenses are shared and reported on the financial statements of the individual organizations. DCAA was mutually dissolved on September 30, 2014.