

Living Arts
Financial Statements
June 30, 2016

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6



1450 Eisenhower Place
Ann Arbor, MI 48108
Phone (734) 769-1331
Fax (734) 996-3777

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, 2016, 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, 2016, 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
November 3, 2016

Living Arts
Statement of Financial Position
June 30, 2016

Assets

Current assets

Cash	\$	381,683
Accounts receivable		87,139
Grants receivable		98,875
Pledges receivable - current		1,748
Prepaid expenses		<u>4,904</u>

Total current assets 574,349

Other assets

Property and equipment, net		3,527
Pledges receivable - noncurrent		<u>19,620</u>

Total other assets 23,147

Total assets \$ 597,496

Liabilities and Net Assets

Current liabilities

Accounts payable	\$	32,388
Accrued expenses		<u>23,397</u>

Total liabilities 55,785

Net assets

Unrestricted		250,493
Temporarily restricted		<u>291,218</u>

Total net assets 541,711

Total liabilities and net assets \$ 597,496

Living Arts
Statement of Activities
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 78,287	\$ -	\$ 78,287
Grants	208,530	273,189	481,719
In-kind contributions	38,924	-	38,924
Special events	1,780	-	1,780
Student fees	20,120	-	20,120
Contract service fees	184,293	-	184,293
Loss on disposal of asset	(287)	-	(287)
Interest income	268	-	268
Other revenue	4,708	-	4,708
Net assets released from temporary restrictions	274,416	(274,416)	-
Total support and revenue	<u>811,039</u>	<u>(1,227)</u>	<u>809,812</u>
Functional Expenses			
Program	625,197	-	625,197
Management and general	89,367	-	89,367
Fundraising	99,570	-	99,570
Total functional expenses	<u>814,134</u>	<u>-</u>	<u>814,134</u>
Change in net assets	(3,095)	(1,227)	(4,322)
Net assets, beginning of year	<u>253,588</u>	<u>292,445</u>	<u>546,033</u>
Net assets, end of year	<u>\$ 250,493</u>	<u>\$ 291,218</u>	<u>\$ 541,711</u>

See Accompanying Notes to the Financial Statements

Living Arts
Statement of Functional Expenses
For the Year Ended June 30, 2016

	Program						Total	Management and General	Fundraising	Total
	OSA	Early Learning EI Arte	Elementary- Middle EI Arte	Community Programs	Program	Total				
Bad debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 500	
Bank service charges	103	-	-	-	103	-	506	693	1,302	
Cost of goods sold	1,006	-	-	-	1,006	-	-	-	1,006	
Costume expenses	10,742	-	-	-	10,742	-	-	-	10,742	
Depreciation	1,559	409	808	42	2,818	(313)	(313)	42	2,547	
Dues and subscriptions	559	463	364	91	1,477	170	170	1,187	2,834	
Education	556	110	531	5	1,202	1,313	1,313	432	2,947	
Equipment and repairs	833	858	526	19	2,236	294	294	167	2,697	
Fees, licenses, and permits	36	46	30	1	113	34	34	60	207	
Field trip expense	1,729	-	-	-	1,729	-	-	-	1,729	
Fundraising	-	-	-	-	-	-	-	1,150	1,150	
Health insurance	2,718	3,455	1,893	71	8,137	(267)	(267)	441	8,311	
Hospitality	1,399	641	462	40	2,542	546	546	8,426	11,514	
Insurance	2,358	2,694	2,337	81	7,470	843	843	639	8,952	
Interest expense	-	-	-	-	-	128	128	-	128	
Professional services	10,246	12,923	9,830	1,415	34,414	18,739	18,739	38,791	91,944	
Marketing	2,537	1,322	1,990	2,666	8,515	4,569	4,569	308	13,392	
Office supplies	2,559	2,441	1,565	56	6,621	2,616	2,616	517	9,754	
Payroll taxes	8,481	8,034	7,013	260	23,788	4,559	4,559	2,271	30,618	
Postage and delivery	182	202	142	5	531	91	91	502	1,124	
Printing and reproduction	2,464	1,327	1,996	377	6,164	403	403	685	7,252	
Program contract labor	52,279	111,364	52,997	4,035	220,675	60	60	224	220,959	
Program material and supplies	2,452	1,959	4,723	6	9,140	24	24	314	9,478	
Rent and security	36,154	4,605	3,099	111	43,969	1,308	1,308	1,006	46,283	
Salaries and wages	78,898	92,611	42,588	7,466	221,563	53,251	53,251	40,854	315,668	
Telephone and fax	726	331	257	9	1,323	103	103	75	1,501	
Travel	472	4,684	623	-	5,779	16	16	7	5,802	
Utilities	655	809	575	21	2,060	250	250	182	2,492	
Web and internet expense	325	389	281	85	1,080	124	124	97	1,301	
Total functional expenses	\$ 222,028	\$ 251,677	\$ 134,630	\$ 16,862	\$ 625,197	\$ 89,367	\$ 89,367	\$ 99,570	\$ 814,134	

See Accompanying Notes to the Financial Statements

Living Arts
Statement of Cash Flows
For the Year Ended June 30, 2016

Cash flows from operating activities

Change in net assets	\$	(4,322)
Items not requiring cash		
Depreciation		2,547
Bad debt		500
Changes in operating assets and liabilities		
Accounts receivable		(53,619)
Grants receivable		39,604
Pledges receivable		3,157
Prepaid expenses		1,172
Accounts payable		14,529
Accrued expenses		<u>2,746</u>
Net cash flows provided by operating activities		6,314

Cash flows from investing activities

Purchase of property and equipment		<u>(1,538)</u>
------------------------------------	--	----------------

Net change in cash and cash equivalents 4,776

Cash and cash equivalents - beginning of year 376,907

Cash and cash equivalents - end of year \$ 381,683

Living Arts
Notes to the Financial Statements
June 30, 2016

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 non-profit organization organized to engage Detroit youth, teachers and families in transformative experiences in the performing, visual, literary and media arts. Through artist residencies in schools across Detroit and robust out-of-school offerings focused in Southwest Detroit, the Organization increases youth's academic achievement, develop their leadership and artistic skills, and strengthen our schools and communities. Programming is organized into four interrelated categories: Detroit Wolf Trap Early Learning Through the Arts, In-School Arts, Out-of-School Arts, and Community programs."

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, 2016.

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, 2016

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, 2016.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. 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 \$11,210 for the year ending June 30, 2016.

Donated Facility

Donated facilities are recorded at the estimated fair rental value, \$27,714 for the year ending June 30, 2016.

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, 2016

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through November 3, 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, 2016, \$99,476 was not insured.

Note 3 – Property and Equipment

Property and equipment consisted of the following at June 30, 2016:

Furniture	\$ 3,035
Equipment	32,687
Computer software	<u>22,660</u>
Gross property and equipment	58,382
Less: accumulated depreciation	<u>54,855</u>
Net property and equipment	<u><u>\$ 3,527</u></u>

Depreciation expense for the year ending June 30, 2016 totaled \$2,547.

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2016:

Community Foundation for Southeast Michigan	\$ 65,000
Detroit Industrial School	4,500
Ford Motor Company Fund	170,000
W.K. Kellogg Foundation	18,029
Michigan Council for Arts & Cultural Affairs	8,821
Michigan Humanities Council	20,748
Village Women's Club Foundation	3,500
Other	<u>620</u>
Total	<u><u>\$ 291,218</u></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, 2016

Temporarily restricted net assets were released from restrictions during the year ended June 30, 2016 by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Ford Motor Company Fund	\$ 119,990
Erb	25,000
Kellogg Foundation	26,970
Knight	4,987
Kresge	25,000
Michigan Humanities Council	12,000
Paul Foundation	4,320
Skillman Foundation	50,049
Others	<u>6,100</u>
Total assets released from temporarily restricted net assets	<u>\$ 274,416</u>

Note 5 – Lease Commitments

The Organization entered into a multi-year lease for program space beginning September 1, 2015 through August 31, 2020. Future minimum lease payments under this lease for the years ending June 30 are as follows:

2017	\$ 11,352
2018	13,962
2019	14,381
2020	<u>2,409</u>
Total minimum payments	<u>\$ 42,104</u>

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