

**Living Arts**  
**Financial Statements**  
**June 30, 2017**



## Table of Contents

	<b>Page</b>
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

## 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, 2017, 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, 2017, 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  
December 12, 2017

**Living Arts**  
**Statement of Financial Position**  
**June 30, 2017**

---

**Assets**

Current assets

Cash	\$ 322,027
Accounts receivable	131,963
Grants receivable	153,766
Pledges receivable - current	4,163
Prepaid expenses	<u>6,182</u>

Total current assets 618,101

Other assets

Property and equipment, net	5,236
Pledges receivable - noncurrent	<u>8,950</u>

Total other assets 14,186

**Total assets** **\$ 632,287**

**Liabilities and Net Assets**

Current liabilities

Accounts payable	\$ 32,413
Accrued expenses	<u>14,619</u>

Total liabilities 47,032

Net assets

Unrestricted	266,768
Temporarily restricted	<u>318,487</u>

Total net assets 585,255

**Total liabilities and net assets** **\$ 632,287**

**Living Arts**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Contributions	\$ 49,177	\$ -	\$ 49,177
Grants	331,330	288,536	619,866
In-kind contributions	38,034	-	38,034
Special events	2,297	-	2,297
Student fees	24,565	-	24,565
Contract service fees	217,926	-	217,926
Interest income	305	-	305
Other revenue	2,285	-	2,285
Net assets released from temporary restrictions	<u>261,267</u>	<u>(261,267)</u>	<u>-</u>
Total support and revenue	<u>927,186</u>	<u>27,269</u>	<u>954,455</u>
<b>Functional Expenses</b>			
Program	732,088	-	732,088
Management and general	104,451	-	104,451
Fundraising	<u>74,372</u>	<u>-</u>	<u>74,372</u>
Total functional expenses	<u>910,911</u>	<u>-</u>	<u>910,911</u>
Change in net assets	16,275	27,269	43,544
<b>Net assets, beginning of year</b>	<u>250,493</u>	<u>291,218</u>	<u>541,711</u>
<b>Net assets, end of year</b>	<u>\$ 266,768</u>	<u>\$ 318,487</u>	<u>\$ 585,255</u>

**Living Arts**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2017**

	Program					Management and General	Fundraising	Total
	ISA - In School			Community	Total			
	Arts	Wolf Trap	OSA	Programs	Program			
Amortization Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,738	\$ 3,738
Bad debt	-	-	-	-	-	1,400	-	1,400
Bank service charges	50	82	235	3	370	341	453	1,164
Cost of goods sold	-	-	1,369	-	1,369	-	-	1,369
Costume expenses	-	-	12,671	38	12,709	-	-	12,709
Depreciation	580	612	1,329	-	2,521	-	1,648	4,169
Dues and subscriptions	627	986	956	32	2,601	370	494	3,465
Education	853	1,896	1,400	20	4,169	256	145	4,570
Equipment and repairs	634	1,596	2,767	142	5,139	749	792	6,680
Fees, licenses, and permits	28	45	113	2	188	18	10	216
Field trip expense	-	-	7,646	-	7,646	-	-	7,646
Health insurance	3,109	5,192	3,438	178	11,917	1,625	1,234	14,776
Hospitality	763	1,912	1,109	5,913	9,697	316	10,444	20,457
Insurance	2,618	4,248	4,021	176	11,063	624	992	12,679
Professional services	18,727	31,118	19,555	3,984	73,384	13,085	16,905	103,374
Marketing	1,150	2,011	1,835	4,151	9,147	-	496	9,643
Office supplies	1,500	2,507	2,516	149	6,672	897	624	8,193
Payroll taxes	6,134	5,206	7,322	465	19,127	9,896	1,899	30,922
Postage and delivery	175	215	135	7	532	115	447	1,094
Printing and reproduction	596	963	1,074	572	3,205	371	2,281	5,857
Program contract labor	70,370	119,747	53,507	10,651	254,275	-	1,100	255,375
Program material and supplies	5,052	2,084	5,973	5,649	18,758	25	51	18,834
Rent and security	2,683	4,336	32,795	176	39,990	4,655	1,009	45,654
Salaries and wages	48,016	78,118	92,894	8,239	227,267	68,478	28,839	324,584
Telephone and fax	330	527	861	21	1,739	202	122	2,063
Travel	1,011	2,771	895	49	4,726	409	276	5,411
Utilities	807	1,305	1,008	53	3,173	505	304	3,982
Web and internet expense	178	290	224	12	704	114	69	887
<b>Total functional expenses</b>	<b>\$ 165,991</b>	<b>\$ 267,767</b>	<b>\$ 257,648</b>	<b>\$ 40,682</b>	<b>\$ 732,088</b>	<b>\$ 104,451</b>	<b>\$ 74,372</b>	<b>\$ 910,911</b>

See Accompanying Notes to the Financial Statements

**Living Arts**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

---

**Cash flows from operating activities**

Change in net assets	\$	43,544
Items not requiring cash		
Depreciation		4,169
Bad debt		1,400
Amortization		3,738
Changes in operating assets and liabilities		
Accounts receivable		(46,224)
Grants receivable		(54,891)
Pledges receivable		8,255
Prepaid expenses		(1,278)
Accounts payable		25
Accrued expenses		<u>(8,778)</u>
Net cash flows used by operating activities		(50,040)

**Cash flows from investing activities**

Purchase of property and equipment		<u>(9,616)</u>
------------------------------------	--	----------------

Net change in cash and cash equivalents (59,656)

Cash and cash equivalents - beginning of year 381,683

**Cash and cash equivalents - end of year** **\$ 322,027**

**Living Arts**  
**Notes to the Financial Statements**  
**June 30, 2017**

---

**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, 2017.

**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, 2017**

---

**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, 2017.

**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 \$10,750 for the year ending June 30, 2017.

**Donated Facility**

Donated facilities are recorded at the estimated fair rental value, \$27,284 for the year ending June 30, 2017.

**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, 2017**

---

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure through December 12, 2017, 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, 2017, \$65,130 was not insured.

**Note 3 – Property and Equipment**

Property and equipment consisted of the following at June 30, 2017:

Furniture	\$ 5,035
Equipment	34,454
Computer software	<u>28,510</u>
Gross property and equipment	67,999
Less: accumulated depreciation	<u>62,763</u>
Net property and equipment	<u><u>\$ 5,236</u></u>

Depreciation expense for the year ending June 30, 2017 totaled \$4,169.

**Note 4 – Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following as of June 30, 2017:

Ford Motor Company Fund	\$ 164,188
Kresge Foundation	60,000
Erb Foundation	50,000
Community Foundation of Southeast MI	18,047
Michigan Council for Arts & Cultural Affairs	14,007
Other	<u>12,245</u>
Total	<u><u>\$ 318,487</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, 2017**

---

Temporarily restricted net assets were released from restrictions during the year ended June 30, 2017 by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Community Foundation of Southeast MI	\$ 46,953
Detroit Industrial School	1,784
Ford Motor Company Fund	160,812
Michigan Council for Arts & Cultural Affairs	8,821
Michigan Humanities Council	20,748
Prevention Michigan	620
Village Woman's Club Foundation	3,500
W.K. Kellogg Foundation	<u>18,029</u>
 Total assets released from temporarily restricted net assets	 <u>\$ 261,267</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:

2018		\$ 13,962
2019		14,381
2020		<u>2,409</u>
 Total minimum payments		 <u>\$ 30,752</u>

The Organization also rents an auditorium each year for one event.