

**Living Arts**  
**Financial Statements**  
**June 30, 2018**



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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, 2018, 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, 2018, 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 5, 2018

**Living Arts**  
**Statement of Financial Position**  
**June 30, 2018**

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**Assets**

Current assets

Cash	\$ 329,105
Accounts receivable	147,052
Grants receivable	343,035
Pledges receivable - current	1,000
Prepaid expenses	<u>6,138</u>

Total current assets 826,330

Other assets

Property and equipment, net	3,011
Pledges receivable - noncurrent	<u>8,639</u>

Total other assets 11,650

**Total assets** \$ 837,980

**Liabilities and Net Assets**

Current liabilities

Accounts payable	\$ 34,827
Accrued expenses	<u>15,448</u>

Total liabilities 50,275

Net assets

Unrestricted	341,398
Temporarily restricted	<u>446,307</u>

Total net assets 787,705

**Total liabilities and net assets** \$ 837,980

**Living Arts**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Contributions	\$ 60,181	\$ -	\$ 60,181
Grants	307,030	391,307	698,337
In-kind contributions	65,792	-	65,792
Special events	20,183	-	20,183
Student fees	15,694	-	15,694
Contract service fees	234,887	-	234,887
Interest income	351	-	351
Other revenue	3,594	-	3,594
Net assets released from temporary restrictions	<u>263,487</u>	<u>(263,487)</u>	<u>-</u>
Total support and revenue	<u>971,199</u>	<u>127,820</u>	<u>1,099,019</u>
<b>Functional Expenses</b>			
Program	689,359	-	689,359
Management and general	116,436	-	116,436
Fundraising	<u>90,774</u>	<u>-</u>	<u>90,774</u>
Total functional expenses	<u>896,569</u>	<u>-</u>	<u>896,569</u>
Change in net assets	74,630	127,820	202,450
<b>Net assets, beginning of year</b>	<u>266,768</u>	<u>318,487</u>	<u>585,255</u>
<b>Net assets, end of year</b>	<u>\$ 341,398</u>	<u>\$ 446,307</u>	<u>\$ 787,705</u>

See Accompanying Notes to the Financial Statements

**Living Arts**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018**

**Program**

	<b>Program</b>							
	<b>ISA - In School</b>			<b>Community</b>	<b>Total</b>	<b>Management</b>		
	<b>Arts</b>	<b>Wolf Trap</b>	<b>OSA</b>	<b>Programs</b>	<b>Program</b>	<b>and General</b>	<b>Fundraising</b>	<b>Total</b>
Amortization Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 975	\$ 975
Bad debt	-	-	-	-	-	2,048	-	2,048
Bank service charges	54	90	217	3	364	185	1,822	2,371
Cost of goods sold	-	-	666	-	666	-	-	666
Costume expenses	-	-	10,166	19	10,185	1	-	10,186
Depreciation	574	53	584	-	1,211	14	25	1,250
Dues and subscriptions	839	1,284	1,441	53	3,617	464	293	4,374
Education	385	2,432	447	16	3,280	777	185	4,242
Equipment and repairs	690	1,376	2,555	210	4,831	3,170	960	8,961
Fees, licenses, and permits	37	61	47	3	148	24	114	286
Field trip expense	-	-	588	-	588	-	-	588
Health insurance	3,118	5,260	3,368	234	11,980	2,223	1,254	15,457
Hospitality	1,295	2,555	1,894	146	5,890	738	13,008	19,636
Insurance	2,894	4,706	3,629	198	11,427	1,852	1,156	14,435
Professional services	20,926	30,971	24,159	3,523	79,579	27,540	22,742	129,861
Marketing	449	12,654	1,208	351	14,662	1,806	15,856	32,324
Office supplies	1,486	2,378	2,533	100	6,497	1,028	930	8,455
Payroll taxes	5,351	8,241	6,624	376	20,592	4,103	1,838	26,533
Postage and delivery	171	259	199	11	640	225	352	1,217
Printing and reproduction	729	1,192	1,111	49	3,081	568	1,852	5,501
Program contract labor	77,764	72,563	52,466	5,562	208,355	116	969	209,440
Program material and supplies	4,248	967	4,063	3	9,281	22	33	9,336
Rent and security	2,686	4,365	35,796	183	43,030	1,713	1,021	45,764
Salaries and wages	49,226	74,829	99,009	7,768	230,832	64,491	24,700	320,023
Telephone and fax	464	752	895	31	2,142	295	178	2,615
Travel	560	11,175	996	19	12,750	2,457	173	15,380
Utilities	714	1,167	898	48	2,827	430	251	3,508
Web and internet expense	229	372	287	16	904	146	87	1,137
<b>Total functional expenses</b>	<b>\$ 174,889</b>	<b>\$ 239,702</b>	<b>\$ 255,846</b>	<b>\$ 18,922</b>	<b>\$ 689,359</b>	<b>\$ 116,436</b>	<b>\$ 90,774</b>	<b>\$ 896,569</b>

See Accompanying Notes to the Financial Statements

**Living Arts**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2018**

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**Cash flows from operating activities**

Change in net assets	\$	202,450
Items not requiring cash		
Depreciation		1,250
Bad debt		2,048
Amortization		975
Changes in operating assets and liabilities		
Accounts receivable		(17,137)
Grants receivable		(189,269)
Pledges receivable		3,474
Prepaid expenses		44
Accounts payable		2,414
Accrued expenses		<u>829</u>
Net cash flows provided by operating activities		<u>7,078</u>
Cash and cash equivalents - beginning of year		<u>322,027</u>
<b>Cash and cash equivalents - end of year</b>	<b>\$</b>	<b><u><u>329,105</u></u></b>

**Living Arts**  
**Notes to the Financial Statements**  
**June 30, 2018**

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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 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, 2018.

**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, 2018**

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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, 2018.

**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 Goods**

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization recognized donated supplies of \$1,370 for the year ended June 30, 2018.

**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 \$37,138 for the year ending June 30, 2018.

**Donated Facility**

Donated facilities are recorded at the estimated fair rental value, \$27,284 for the year ending June 30, 2018.

**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, 2018**

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**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure through December 5, 2018, 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, 2018, \$83,768 was not insured.

**Note 3 – Property and Equipment**

Property and equipment consisted of the following at June 30, 2018:

Furniture	\$ 5,035
Equipment	12,260
Computer software	<u>6,445</u>
Gross property and equipment	23,740
Less: accumulated depreciation	<u>20,729</u>
Net property and equipment	<u><u>\$ 3,011</u></u>

Depreciation expense for the year ending June 30, 2018 totaled \$1,250.

**Note 4 – Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following as of June 30, 2018:

Ford Motor Company Fund	\$ 24,252
Kresge Foundation	75,000
Erb Foundation	120,000
Community Foundation of Southeast MI	100,000
Fisher Foundation	110,000
Other	<u>17,055</u>
Total	<u><u>\$ 446,307</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, 2018**

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Temporarily restricted net assets were released from restrictions during the year ended June 30, 2018 by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Community Foundation of Southeast MI	\$ 18,047
Detroit Industrial School	2,716
Erb Foundation	25,000
Ford Motor Company Fund	164,188
Kresge Foundation	30,000
Michigan Council for Arts & Cultural Affairs	14,007
PNC Foundation	169
Silkman Foundation	4,360
Village Woman's Club Foundation	3,500
W.K. Kellogg Foundation	<u>1,500</u>
Total assets released from temporarily restricted net assets	<u>\$ 263,487</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:

2019		\$ 13,556
2020		<u>2,270</u>
Total minimum payments		<u>\$ 15,826</u>

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