

Living Arts
Financial Statements
June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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Independent Auditors' Report

To the Board of Directors of
Living Arts
Detroit, Michigan

Opinion

We have audited the accompanying financial statements of Living Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 Living Arts as of June 30, 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Living Arts 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 the 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 Living Art's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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, including omissions, 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 Living Art'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 Living Art'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.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
January 29, 2024

Living Arts
Statement of Financial Position
June 30, 2023

Assets

Current assets

Cash	\$ 1,104,145
Accounts receivable	37,380
Grants receivable	219,010
Prepaid expenses	<u>12,904</u>

Total current assets 1,373,439

Other assets

Property and equipment, net	<u>1,109</u>
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Total assets \$ 1,374,548

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 16,685
Accrued expenses	<u>31,836</u>

Total current liabilities 48,521

Net assets

Without donor restrictions

Unrestricted	956,522
Board designated	<u>89,972</u>

Total without donor restrictions 1,046,494

With donor restrictions

Purpose restrictions	<u>279,533</u>
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Total net assets 1,326,027

Total liabilities and net assets \$ 1,374,548

Living Arts
Statement of Activities
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 42,621	\$ -	\$ 42,621
Grants	183,233	500,401	683,634
Contributions of nonfinancial assets	33,439	-	33,439
Student fees	16,596	-	16,596
Contract service fees	162,310	-	162,310
Interest income	450	-	450
Other revenue	2,186	-	2,186
Net assets released from restrictions	<u>531,065</u>	<u>(531,065)</u>	<u>-</u>
Total support and revenue	<u>971,900</u>	<u>(30,664)</u>	<u>941,236</u>
Functional Expenses			
Program	804,594	-	804,594
Management and general	100,215	-	100,215
Fundraising	<u>82,829</u>	<u>-</u>	<u>82,829</u>
Total functional expenses	<u>987,638</u>	<u>-</u>	<u>987,638</u>
Change in net assets	(15,738)	(30,664)	(46,402)
Net assets, beginning of year	<u>1,062,232</u>	<u>310,197</u>	<u>1,372,429</u>
Net assets, end of year	<u>\$ 1,046,494</u>	<u>\$ 279,533</u>	<u>\$ 1,326,027</u>

See Accompanying Notes to the Financial Statements

Living Arts
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program					Management and General	Fundraising	Total
	ISA - In School Arts	Wolf Trap	OSA - Out of School Arts	Community Programs	Total Program			
Bad debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,470	\$ -	\$ 1,470
Bank service charges	197	336	1,744	328	2,605	101	715	3,421
Community performance and event	-	-	530	32,872	33,402	99	21,087	54,588
Computers and software	2,134	2,387	3,290	-	7,811	693	678	9,182
Contract services	274	364	444	456	1,538	100	98	1,736
Depreciation	3,106	3,179	4,190	175	10,650	1,376	1,068	13,094
Dues and subscriptions	1,137	1,601	2,455	161	5,354	-	407	5,761
Education	481	506	791	-	1,778	238	229	2,245
Equipment and repairs	612	699	1,579	664	3,554	241	212	4,007
Fees, licenses, and permits	359	397	652	-	1,408	154	114	1,676
Health insurance	6,999	5,934	8,424	1,694	23,051	1,846	3,117	28,014
Hospitality	1,995	1,923	4,620	2,415	10,953	508	706	12,167
Insurance	2,939	3,541	5,050	111	11,641	1,095	1,265	14,001
Marketing	1,108	1,607	3,754	1,204	7,673	309	1,796	9,778
Office supplies	335	304	994	77	1,710	227	94	2,031
Payroll taxes	7,473	8,360	12,747	399	28,979	2,981	2,801	34,761
Postage and delivery	91	206	294	40	631	64	6	701
Printing and reproduction	437	1,060	1,383	19	2,899	149	144	3,192
Professional services	6,456	7,411	10,533	602	25,002	22,684	2,525	50,211
Program contract labor	45,188	37,888	83,625	35,000	201,701	153	268	202,122
Program material and supplies	2,291	955	21,736	250	25,232	123	48	25,403
Rent and security	2,281	2,272	30,866	123	35,542	1,116	564	37,222
Retirement benefits	1,153	1,300	1,960	61	4,474	662	432	5,568
Salaries and wages	109,673	103,859	123,316	10,596	347,444	63,310	43,973	454,727
Storage unit rental	30	29	48	-	107	20	18	145
Teen council	-	-	2,091	-	2,091	-	-	2,091
Telephone and fax	1,152	1,326	1,953	60	4,491	435	417	5,343
Travel	317	16	310	1,632	2,275	15	6	2,296
Web and internet expense	146	200	248	4	598	46	41	685
Total functional expenses	\$ 198,364	\$ 187,660	\$ 329,627	\$ 88,943	\$ 804,594	\$ 100,215	\$ 82,829	\$ 987,638

See Accompanying Notes to the Financial Statements

Living Arts
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities

Change in net assets	\$	(46,402)
Items not requiring cash		
Depreciation		13,094
Bad debt		1,470
Loss on disposal of equipment		31
Changes in operating assets and liabilities		
Accounts receivable		(7,791)
Grants receivable		(38,095)
Employee retention credit receivable		6,757
Prepaid expenses		(765)
Accounts payable		(6,806)
Employee retention credit payable		(24,628)
Accrued expenses		<u>4,255</u>
Net cash flows used by operating activities		(98,880)

Cash flows from investing activities

Purchase of property and equipment		<u>(12,320)</u>
Net change in cash and cash equivalents		(111,200)

Cash and cash equivalents - beginning of year		<u>1,215,345</u>
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Cash and cash equivalents - end of year	\$	<u><u>1,104,145</u></u>
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Living Arts
Notes to the Financial Statements
June 30, 2023

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 and Revenue Recognition

The Organization's sources of support and revenue include grants, contributions, student fees, contract service fees and special events.

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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, 2023.

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.

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.

Living Arts
Notes to the Financial Statements
June 30, 2023

Basis of 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 board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and benefits. Salaries and benefits are allocated based on a time analysis of where efforts are made.

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.

Donated Services and Goods

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization's policy is to utilize, rather than monetize, donated services and goods.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Living Arts
Notes to the Financial Statements
June 30, 2023

Date of Management’s Review

Management has evaluated subsequent events through January 29, 2024, which is the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	Total
Cash	\$ 1,104,145
Accounts receivable	37,380
Grants receivable	219,010
Total financial assets - end of year	1,360,535
Less: Financial assets unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	
Restricted by donor with time or purpose restrictions	279,533
Board designations:	
Amounts set aside for liquidity reserve	89,972
Financial assets available to meet cash needs for general expenditures within one year	\$ 991,030

The Organization’s goal is generally to maintain financial assets to meet three months of operating expenses. As part of its liquidity plan, excess cash is invested in money market funds.

Note 3 – 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, 2023, \$857,766 was not insured.

Note 4 – Property and Equipment

Property and equipment consisted of the following at June 30, 2023:

Furniture	\$ 2,596
Equipment	30,730
Computer software	5,850
Gross property and equipment	39,176
Less: accumulated depreciation	38,067
Net property and equipment	\$ 1,109

Depreciation expense for the year ending June 30, 2023 totaled \$13,094.

Living Arts
Notes to the Financial Statements
June 30, 2023

Note 5 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2023:

Subject to expenditure for specified purpose:

United Way of Southeastern Michigan - Out-of-School Arts	\$ 40,000
AEG Community Foundation - Out-of-School Arts	25,000
Fisher Foundation - General Operations and Wolf Trap	31,410
Kresge Foundation - Community Programs and Planning Grant	65,000
Kresge Foundation - General Operations and Wolf Trap	70,000
Erb Foundation - General Operations	37,500
Detroit Public Schools Foundation - In-School Arts	5,000
Detroit Industrial School Foundation - Out-of-School Arts	4,500
Other	<u>1,123</u>
Total net assets with donor restrictions	<u>\$ 279,533</u>

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 donors as follows for the year ended June 30, 2023:

Satisfaction of purpose restrictions

Ford Motor Company Fund - Out-of-School Arts	\$ 251,948
Michigan Council for Arts & Cultural Affairs - Out-of-School Arts	3,225
United Way of Southeastern Michigan - Out-of-School Arts	25,000
Fisher Foundation - General Operations and Wolf Trap	84,012
Joyce Foundation - Community Programs	75,000
Kresge Foundation - General Operations and Wolf Trap	74,602
MGM Resorts Foundation - Community Programs	15,000
Other	<u>2,278</u>
Total net assets released from restrictions	<u>\$ 531,065</u>

Note 6 – Board Designated Net Assets

The Board of Directors of the Organization has voluntarily designated \$89,972 as of June 30, 2023, whose purpose is to fund new projects, special purchases to further business, or to fill cash shortage needs.

Note 7 – Revenue from Contracts with Customers

The following summarizes revenue by type for the year ended June 30, 2023:

Revenue from contracts with customers	\$ 178,906
Contribution revenue	759,694
Interest revenue	450
Other revenue	<u>2,186</u>
Total revenue	<u>\$ 941,236</u>

Living Arts
Notes to the Financial Statements
June 30, 2023

The revenue from contracts with customers for the year ended June 30, 2023:

Revenue earned at a point in time	\$ <u>178,906</u>
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Revenue earned at a point in time consists of various educational art programs presented at local schools and organizations throughout the state of Michigan. These programs are typically one day events and therefore the performance obligation is typically satisfied when the program is held. This is because once the program has started, no amounts are refundable. There is variable consideration for the programs depending on who is attending; however, the variable consideration is not constrained. The transaction price typically equals the sales price to host the program.

The following summarizes contract assets as of:

	July 1, 2022	June 30, 2023
Accounts receivable	\$ 31,059	\$ 37,380

The organization has no contract liabilities.

There were no changes in judgments related to revenue recognition for the years ended June 30, 2023.

The Organization uses the practical expedient to record revenue as if there is no significant financing component when the receivable is due within one year.

Note 8 – Contributed Nonfinancial Assets

Contributed nonfinancial assets for the year ended June 30, 2023 were:

Category	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Rent	\$ 27,284	Art room, dance studio, office and storage space	No associated donor restrictions	In valuing the contributed rent, Living Arts obtained the fair value from the donor which is based on comparable rental fees charged to other tenants.
Auction Items	6,155	Rhythm of Feet auction	No associated donor restrictions	Contributed goods are valued at the estimated fair value based on current rates for similar goods.
	\$ 33,439			