

THE ARTS ALLIANCE

REVIEWED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

THE ARTS ALLIANCE

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Management and Board of Directors
The Arts Alliance
Ann Arbor, Michigan

We have reviewed the accompanying financial statements of The Arts Alliance (a Michigan nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

To the Board of Directors
The Arts Alliance
Ann Arbor, Michigan
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Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Farmington Hills, Michigan
June 28, 2019

THE ARTS ALLIANCE
STATEMENT OF FINANCIAL POSITION

ASSETS	December 31,	
	2018	2017
CURRENT ASSETS		
Cash	\$ 13,959	\$ 12,410
Accounts receivable	28,417	1,265
Grant receivable	75,975	77,170
Prepaid expenses	6,940	-
	<u>125,291</u>	<u>90,845</u>
Total assets	<u>\$ 125,291</u>	<u>\$ 90,845</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 64,020	\$ 490
Deferred revenues	10,000	15,343
Note payable	11,466	-
	<u>85,486</u>	<u>15,833</u>
Total current liabilities	85,486	15,833
NET ASSETS		
Without donor restrictions	(195)	(20,326)
With donor restrictions	40,000	95,338
	<u>39,805</u>	<u>75,012</u>
Total net assets	39,805	75,012
Total liabilities and net assets	<u>\$ 125,291</u>	<u>\$ 90,845</u>

THE ARTS ALLIANCE
STATEMENT OF ACTIVITIES

	Year ended December 31, 2018			Year ended December 31, 2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES AND OTHER SUPPORT						
Government grants	\$ 84,143	\$ -	\$ 84,143	\$ 100,954	\$ 71,125	\$ 172,079
Contributions	84,981	-	84,981	100,393	-	100,393
Program income	64,112	-	64,112	48,640	3,400	52,040
Total revenues and other support	<u>233,236</u>	<u>-</u>	<u>233,236</u>	<u>249,987</u>	<u>74,525</u>	<u>324,512</u>
Net assets released from restrictions	<u>55,338</u>	<u>(55,338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES						
Program services	202,107	-	202,107	175,943	-	175,943
Management and general	30,662	-	30,662	32,306	-	32,306
Fundraising	35,674	-	35,674	40,435	-	40,435
Total expenses	<u>268,443</u>	<u>-</u>	<u>268,443</u>	<u>248,684</u>	<u>-</u>	<u>248,684</u>
CHANGE IN NET ASSETS	20,131	(55,338)	(35,207)	1,303	74,525	75,828
NET ASSETS , beginning of year	<u>(20,326)</u>	<u>95,338</u>	<u>75,012</u>	<u>(21,629)</u>	<u>20,813</u>	<u>(816)</u>
NET ASSETS , end of year	<u>\$ (195)</u>	<u>\$ 40,000</u>	<u>\$ 39,805</u>	<u>\$ (20,326)</u>	<u>\$ 95,338</u>	<u>\$ 75,012</u>

THE ARTS ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES

	<u>Year ended December 31, 2018</u>				<u>Year ended December 31, 2017</u>			
	<u>Supporting Services</u>				<u>Supporting Services</u>			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Contract services	\$ 91,000	\$ 28,000	\$ 21,000	\$ 140,000	\$ 91,000	\$ 28,000	\$ 21,000	\$ 140,000
Programs and projects	72,045	-	-	72,045	38,776	-	-	38,776
Professional fees	20,340	1,131	750	22,221	29,496	1,309	938	31,743
Special events	-	-	10,772	10,772	-	-	13,054	13,054
Awards and grants	9,953	-	-	9,953	9,809	-	-	9,809
Travel	6,231	801	35	7,067	3,329	1,004	72	4,405
Banking fees, and interest	-	181	2,154	2,335	-	69	3,181	3,250
Office expenses	534	39	528	1,101	48	1,603	427	2,078
Printing	574	61	98	733	1,323	82	590	1,995
Technology	703	201	151	1,055	794	2	1,049	1,845
Insurance	727	248	186	1,161	1,368	237	124	1,729
Total expenses	<u>\$ 202,107</u>	<u>\$ 30,662</u>	<u>\$ 35,674</u>	<u>\$ 268,443</u>	<u>\$ 175,943</u>	<u>\$ 32,306</u>	<u>\$ 40,435</u>	<u>\$ 248,684</u>

THE ARTS ALLIANCE
STATEMENT OF CASH FLOWS

	<u>Years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (35,207)	\$ 75,828
Changes in:		
Accounts receivable	(27,152)	8,820
Grant receivable	1,195	(75,000)
Prepaid expenses	(6,940)	11,667
Accounts payable	63,530	(9,424)
Deferred revenue	(5,343)	(24,375)
	<u>(9,917)</u>	<u>(12,484)</u>
Net cash used in operating activities		
FINANCING ACTIVITIES		
Proceeds from note payable	<u>11,466</u>	<u>-</u>
NET CHANGE IN CASH	1,549	(12,484)
CASH , beginning of year	<u>12,410</u>	<u>24,894</u>
CASH , end of year	<u><u>\$ 13,959</u></u>	<u><u>\$ 12,410</u></u>

THE ARTS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The 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 Arts Alliance (the “Organization”), is a local arts agency with a mission is to champion the arts & creative industries in Washtenaw County, MI - arts and creative individuals, organizations and businesses - to ensure that the greater Ann Arbor region remains a great place to create, live, work, learn, play, and visit.

The intrinsic value of the arts and creativity is at the forefront of its efforts as it works diligently to demonstrate the economic and educational value and the interconnectivity of the arts and creative sector to all other sectors as well as the depth of skills and variety of career paths available to a creative person. As a champion and advocate, The Arts Alliance is a leader, communicating the importance of the sector and working to persuade community leaders and stakeholders to invest in and set public policies that build and sustain arts and creativity in Ann Arbor, Chelsea, Dexter, Manchester, Milan, Saline and Ypsilanti plus the 21 townships in the county.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Organization follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification (ASC)*.

Under the provision, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

THE ARTS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consists of those items attributable to The Arts Alliance's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Concentration of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions. Management has deemed this as a normal business risk.

Use of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Organization records grant revenues when earned based upon U.S. GAAP and the terms of the individual grant documents. Program income includes fees raised for various programs and memberships dues from individuals and other organizations. The organization records program income when the program is completed. The organization records membership dues when the amounts are paid. Any benefits received related to the membership dues are negligible. Membership dues are the equivalent of contributions and are therefore recognized fully when paid by members.

Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts. Management believes all receivables are collectible and therefore, there was no allowance for doubtful accounts at December 31, 2018 and 2017.

THE ARTS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue represents payments from federal, state, and other sources for use in funding future program expenditures. If not used, such amounts may be returned to the funding source.

The Organization periodically sponsors fundraising events. Receipts from these events, net of disbursements, are recorded as deferred revenue until the year in which the event occurs.

Contributions

When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction.

Donated Services

A substantial number of volunteers have donated significant amounts of their time in the Organization's operations. Donated services were not recognized in the financial statements since they did not meet the criteria for recognition under ASC topic Contributions.

Income Taxes

The Arts Alliance is a non-profit organization exempt under Section 501(c)(3) of the Internal Revenue Code and therefore, is not subject to tax under Federal income tax laws. ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2018 and 2017, there were no uncertain tax positions that require accrual.

THE ARTS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy and general operating expenses on the basis of estimates of time and effort. All other expenses are allocated based on direct identification and utilization.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position through June 28, 2019, the date the financials were available to be issued.

NOTE 2 – RESTRICTED NET ASSETS

Donor restricted net assets were comprised of the following:

Restriction	December 31,	
	2018	2017
MCACA -Time Resticted	\$ -	\$ 31,125
NEA - Creative Voice	40,000	40,000
Power Art	-	24,213
	\$ 40,000	\$ 95,338

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NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3 – SERVICE AGREEMENT

The organization has a long-term management service agreement with Artrain, Inc. a nonprofit organization that offers arts project management and staffing services organization to other nonprofit arts and cultural organizations. The services include administration, program and development management and professional staff. Under the contract, the Organization makes monthly payments of \$11,667 for the management services through May 9, 2019, with an automatic annual renewal and a 60-day termination clause. As of June 28, 2019 the option to cancel had not been exercised.

NOTE 4 – LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of December 31, 2018, reduced by the amounts not available for general use within one year due to contractual or donor-imposed restrictions or internal designations.

Financial assets	
Cash	\$ 13,959
Accounts receivable	28,417
Grant receivable	<u>75,975</u>
Total financial assets	118,351
Amounts not available for general use	
Donor restricted funds	<u>(40,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 78,351</u>

THE ARTS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 – RELATED PARTY TRANSACTIONS

The Organization and Artrain, Incorporated are considered related parties due to the organizations sharing management and staff. During each year ended December 31, 2018 and 2017, the Organization paid \$140,000 to Artrain for rent, administration and other shared operating costs. Of this amount, \$35,000 and \$-0- was included in accounts payable as of December 31, 2018 and 2017, respectively. In addition, the Organization made purchases from businesses owned by certain board members during the years ended December 31, 2018 and 2017 that totaled \$3,896 and \$3,914 respectively.

The Organization had an outstanding note payable in the amount of \$11,466 and \$-0- with a member of their executive management as of December 31, 2018 and 2017, respectively. The note is noninterest bearing and due on demand.