

The Arts Alliance
Financial Statements
December 31, 2014
(With Summarized Comparative
Information for 2013)

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Independent Auditors' Report

Management and the Board of Directors
The Arts Alliance

Report on the Financial Statements

We have audited the accompanying financial statements of The Arts Alliance which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, 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.

Auditors' 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 of 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 auditors' 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 The Arts Alliance as of December 31, 2014, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the organization's December 31, 2013 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our reported dated May 29, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
November 4, 2015

The Arts Alliance
Statement of Financial Position
December 31, 2014

(With Summarized Comparative Information for 2013)

	2014	2013
Assets		
Current assets		
Cash	\$ 53,401	\$ 1,064
Accounts receivable	57,695	8,831
Grants receivable	-	4,180
Total current assets	111,096	14,075
Other assets		
Deposit	3,260	-
Total assets	\$ 114,356	\$ 14,075
Liabilities and Net assets (deficit)		
Current liabilities		
Accounts payable	\$ 3,389	\$ 3,994
Accounts payable, related party	70,438	32,321
Deferred revenues	40,000	5,000
Total current liabilities	113,827	41,315
Net assets (deficit)		
Unrestricted (deficit)	529	(27,240)
Total liabilities and net assets (deficit)	\$ 114,356	\$ 14,075

See Accompanying Notes to the Financial Statements

The Arts Alliance
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014
(With Summarized Comparative Information for 2013)

	2014	2013
Support and revenue		
Government grants	\$ 101,005	\$ 56,325
Contributions	70,598	45,263
Program income	84,771	33,442
Other income	16	188
Total support and revenue	256,390	135,218
 Expenses		
Program services	170,951	138,925
Management and general	36,280	18,724
Fundraising	21,390	12,853
Total expenses	228,621	170,502
 Change in net assets	 27,769	 (35,284)
 Net assets (deficit) beginning of year	 (27,240)	 8,044
 Net assets (deficit) end of year	 \$ 529	 \$ (27,240)

See Accompanying Notes to the Financial Statements

The Arts Alliance
Statement of Functional Expenses
For the Year Ended December 31, 2014
(With Summarized Comparative Information for 2013)

	Program Services	Management and General	Fundraising	Total	2013
Contract services	\$ 73,220	\$ 22,001	\$ 17,352	\$ 112,573	\$ 99,320
Awards and grants	73,135	-	-	73,135	32,295
Amortization	-	-	-	-	7,214
Technology	528	2,655	957	4,140	9,520
Professional fees	2,048	7,230	473	9,751	8,072
Administrative fees	3,641	808	1,412	5,861	6,564
Travel	2,811	1,058	102	3,971	4,089
Banking, fees and interest	-	2,528	1,094	3,622	1,986
Program and projects	15,568	-	-	15,568	1,442
Total	<u>\$ 170,951</u>	<u>\$ 36,280</u>	<u>\$ 21,390</u>	<u>\$ 228,621</u>	<u>\$ 170,502</u>

See Accompanying Notes to the Financial Statements

The Arts Alliance
Statement of Cash Flows
For the Year Ended December 31, 2014
(With Summarized Comparative Information for 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 27,769	\$ (35,284)
Item not requiring cash - amortization	-	7,214
Changes in operating assets and liabilities		
Accounts receivable	(48,864)	(6,761)
Grants receivable	4,180	1,440
Deposit	(3,260)	-
Accounts payable	(605)	35,234
Accrued payroll and related liabilities	38,117	(3,212)
Deferred revenue	35,000	(27,295)
Net cash provided (used) by operating activities	<u>52,337</u>	<u>(28,664)</u>
 Net change in cash	 52,337	 (28,664)
 Cash - beginning of year	 <u>1,064</u>	 <u>29,728</u>
 Cash - end of year	 <u><u>\$ 53,401</u></u>	 <u><u>\$ 1,064</u></u>

See Accompanying Notes to the Financial Statements

The Arts Alliance
Notes to the Financial Statements
December 31, 2014
(With Summarized Comparative Information for 2013)

Note 1 – Organization

The Arts Alliance (the "Organization") was formed in 2001 and incorporated on July 12, 2006, and is located in Ann Arbor, Michigan. The Organization began in 2001 as a separate program under the Ann Arbor Chamber of Commerce's special purpose 501(c) (3) entity "The Ann Arbor Council for Community Excellence" (the "Council"). The Organization operated under the Council's 501(c) (3) status until 2008 when they received their own 501(c) (3) determination from the Internal Revenue Service.

The Organization's mission is to advocate for and support the Creative Sector in Washtenaw County, MI — arts and cultural organizations and creative individuals and businesses — to ensure that our region remains a great place to create, live, work, learn, play and visit.

Note 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. These accounting principles conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the *Audit and Accounting Guide for Not-for-Profit Organizations* issued by the American Institute of Certified Public Accountants.

Net Assets

The Organization's net assets are categorized and reported as follows:

Unrestricted Net Assets

These net assets are available for general operations and are not subject to donor-imposed restrictions.

Temporarily Restricted

These net assets are limited to uses specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization has no temporarily restricted net assets.

Permanently Restricted

Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources to be maintained permanently. The income from the investment of these resources is expended for general or restricted purposes as specified by the donor. The Organization has no permanently restricted net assets.

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.

The Arts Alliance
Notes to the Financial Statements
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Cash

The Organization considers all highly liquid investments held in demand deposit accounts with an original maturity of less than three months to be considered cash.

Concentrations and Credit Risks

The Organization has a cash account at a local bank. The account at this financial institution is insured by the FDIC up to \$250,000. At December 31, 2014, there were no cash account balances over the FDIC coverage limit.

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted contributions if they are received with donor stipulations that limit the use of the donated assets or restrict them for a future period. When a donor 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.

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 membership dues from individuals and other organizations. The Organization records program income when the program is completed. The organization records membership dues when 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 related to program service fees and membership dues. Grants receivable are related to Michigan Council for Arts and Cultural Affairs grants that have been earned, but payment not received.

Allowance for Doubtful Accounts

Accounts receivable are stated at unpaid balances, less any allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on management experience. The allowance at December 31, 2014 and 2013 was \$0.

Deferred Revenue

Deferred revenue is related to grant funds that have been received in advance, but not yet earned according to U.S. GAAP.

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amount reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses. There were no contributed services for the years ended December 31, 2014 and 2013.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of support, revenue, and expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Arts Alliance
Notes to the Financial Statements
December 31, 2014
(With Summarized Comparative Information for 2013)

Income Tax Status

The Organization is a nonprofit Michigan corporation recognized as exempt from federal income taxes pursuant to section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

Management has evaluated subsequent events through November 4, 2015, which is the date the financial statements were available to be issued.

Note 3 – Service Agreement

The Organization partners with Artrain, Incorporated for contracted services, space and supplies. A formal agreement was effective July 1, 2013 to December 31, 2013. The Organization has an informal agreement with Artrain, Incorporated to continue this service agreement in the current year. The service agreement includes rent and charges for shared services including telephone, postage, copier use, internet service, computer support, payroll and benefits and office supplies. In 2013 these items were charged individually, starting January 2014 the fees were a flat rate for all services. See Note 4 for the details of the amount of shared costs.

Note 4 – Related Party Transactions

The Organization and Artrain, Incorporated are considered related parties due to the organizations sharing management and staff. During 2014, the Organization incurred \$110,004 in expenses to Artrain, Incorporated for rent, administration, and other shared operating costs. During 2013, the Organization incurred \$115,999 in expenses to Artrain, Incorporated for rent, administration, and other shared operating costs. The payable balance to Artrain, Incorporated as of December 31, 2014 and 2013 was \$70,438 and \$32,321, respectively.