

THE ARTS ALLIANCE

REVIEWED FINANCIAL STATEMENTS

Year ended December 31, 2017

THE ARTS ALLIANCE

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Management and Board of Directors
The Arts Alliance

We have reviewed the accompanying financial statements of The Arts Alliance (a Michigan nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities, functional expenses, and cash flows for the year 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
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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
July 30, 2018

THE ARTS ALLIANCE
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 12,410
Accounts receivable	1,265
Grant receivable	<u>77,170</u>

Total assets \$ 90,845

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 490
Deferred revenues	<u>15,343</u>

Total current liabilities 15,833

NET ASSETS

Unrestricted	(20,326)
Temporarily restricted	<u>95,338</u>

Total net assets 75,012

Total liabilities and net assets \$ 90,845

THE ARTS ALLIANCE
STATEMENT OF ACTIVITIES
Year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Government grants	\$ 100,954	\$ 71,125	\$ 172,079
Contributions	100,393	-	100,393
Program income	48,640	3,400	52,040
Total revenues and other support	<u>249,987</u>	<u>74,525</u>	<u>324,512</u>
Net assets released from restrictions	-	-	-
EXPENSES			
Program services	175,943	-	175,943
Management and general	32,306	-	32,306
Fundraising	40,435	-	40,435
Total expenses	<u>248,684</u>	<u>-</u>	<u>248,684</u>
CHANGE IN NET ASSETS	1,303	74,525	75,828
NET ASSETS, beginning of year	<u>(21,629)</u>	<u>20,813</u>	<u>(816)</u>
NET ASSETS, end of year	<u>\$ (20,326)</u>	<u>\$ 95,338</u>	<u>\$ 75,012</u>

THE ARTS ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31 , 2017

	Program Services	General and Administrative	Fundraising	Total
Contract Services	\$ 91,000	\$ 28,000	\$ 21,000	\$ 140,000
Programs and projects	38,776	-	-	38,776
Professional fees	29,496	1,309	938	31,743
Special events	-	-	13,054	13,054
Awards and grants	9,809	-	-	9,809
Travel	3,329	1,004	72	4,405
Banking, fees and interest	-	69	3,181	3,250
Office expenses	48	1,603	427	2,078
Printing	1,323	82	590	1,995
Technology	794	2	1,049	1,845
Insurance	1,368	237	124	1,729
Total expenses	\$ 175,943	\$ 32,306	\$ 40,435	\$ 248,684

THE ARTS ALLIANCE
STATEMENT OF CASH FLOWS
Year ended December 31, 2017

OPERATING ACTIVITIES

Change in net assets	\$ 75,828
Changes in:	
Accounts receivable	8,820
Grant receivable	(75,000)
Prepaid expenses	11,667
Accounts payable	(9,424)
Deferred revenue	(24,375)
	<hr/>
Net cash used in operating activities	(12,484)
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NET CHANGE IN CASH	(12,484)
CASH, beginning of year	24,894
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CASH, end of year	\$ 12,410
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THE ARTS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 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)*.

Financial statement presentation follows the recommendations of the ASC topic Presentation of Financial Statements for Not-for-Profit Entities. The Organization is required to report 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. No permanently restricted net assets were held by the Organization and accordingly, these financial statements do not reflect any activities related to this class of net assets.

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.

THE ARTS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017.

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.

Net Assets

Unrestricted net assets are not restricted by the funding source or grantor, or the fund source requirements, or donor-imposed restrictions that have expired. Temporarily restricted net assets contain funding source or donor-imposed restrictions that permit spending as specified. The restrictions are satisfied either by the passage of time or the actions of the Organization.

THE ARTS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization reports gifts of cash and other assets as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions that are met within the Organization's year are reported as unrestricted revenues.

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, 2017, there were no uncertain tax positions that require accrual.

Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on various statistical bases. Although the methods used are considered reasonable, other methods could be used that would produce different results.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position through July 30, 2018, the date the financials were available to be issued.

THE ARTS ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 – RESTRICTED NET ASSETS

Temporarily restricted net assets were comprised of the following as of December 31, 2017

<u>Restriction</u>	
MCACA -Time Resticted	\$ 31,125
NEA - Creative Voice	40,000
Power Art	<u>24,213</u>
	<u>\$ 95,338</u>

NOTE 3 – SERVICE AGREEMENT

The organization has a long-term management service contract with Artrain, Inc. a nonprofit organization that offers arts project management and staffing services organization to other nonprofit arts and cultural organizations. A formal agreement was effective July 1, 2013 through December 31, 2013 with an automatic renewal. The organization has continued an informal agreement with Artrain for these services since December 31, 2013. The services include administration, program and development management and professional staff.

NOTE 4 – RELATED PARTY TRANSACTIONS

The Organization and Artrain, Incorporated are considered related parties due to the organizations sharing management and staff. During 2017, the Organization incurred \$140,000 in expenses to Artrain, Incorporated for rent, administration and other shared operating cost. In addition, the Organization made purchases from businesses owned by certain board members during the year ended December 31, 2017 that totaled \$3,914.