

THE DETROIT CREATIVITY PROJECT
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**THE DETROIT CREATIVITY PROJECT
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DECEMBER 31, 2017 AND 2016**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of
The Detroit Creativity Project
Venice, California

We have reviewed the accompanying financial statements of The Detroit Creativity Project ("DCP") which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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 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; 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.

Accountants' 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 American Institute of Certified Public Accountants. 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.

Accountants' Conclusion

Based on our reviews, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pasadena, California
March 29, 2018

**THE DETROIT CREATIVITY PROJECT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

| | 2017 | 2016 |
|--------------------------|------------------|------------------|
| ASSETS | | |
| Cash | \$ 31,912 | \$ 32,858 |
| Contributions receivable | 5,065 | 17,325 |
| Accounts receivable | - | 3,035 |
| | \$ 36,977 | \$ 53,218 |
| NET ASSETS | | |
| Unrestricted | \$ 31,127 | \$ 33,733 |
| Temporarily restricted | 5,850 | 19,485 |
| | \$ 36,977 | \$ 53,218 |

See Accompanying Notes to Financial Statements

**THE DETROIT CREATIVITY PROJECT
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

| | 2017 | | | 2016 | | |
|---------------------------------------|------------------|---------------------------|------------------|------------------|---------------------------|------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| REVENUE AND SUPPORT | | | | | | |
| Grants and contribution revenue | \$ 86,923 | \$ 4,998 | \$ 91,921 | \$ 66,283 | \$ 19,485 | \$ 85,768 |
| Donated rent | 1,800 | - | 1,800 | 2,850 | - | 2,850 |
| Donated services | 1,800 | 2,490 | 4,290 | 1,800 | - | 1,800 |
| Special events | 17,794 | - | 17,794 | 20,505 | - | 20,505 |
| Program service fees | 2,700 | - | 2,700 | 3,800 | - | 3,800 |
| Interest income | 3 | - | 3 | 4 | - | 4 |
| Net assets released from restrictions | 21,123 | (21,123) | - | 5,000 | (5,000) | - |
| | <u>132,143</u> | <u>(13,635)</u> | <u>118,508</u> | <u>100,242</u> | <u>14,485</u> | <u>114,727</u> |
| Total revenue and support | | | | | | |
| EXPENSES | | | | | | |
| Program | 112,885 | - | 112,885 | 94,864 | - | 94,864 |
| Management and general | 18,674 | - | 18,674 | 8,544 | - | 8,544 |
| Fundraising | 3,190 | - | 3,190 | 3,171 | - | 3,171 |
| | <u>134,749</u> | <u>-</u> | <u>134,749</u> | <u>106,579</u> | <u>-</u> | <u>106,579</u> |
| Total expenses | | | | | | |
| Change in net assets | (2,606) | (13,635) | (16,241) | (6,337) | 14,485 | 8,148 |
| NET ASSETS - Beginning of year | <u>33,733</u> | <u>19,485</u> | <u>53,218</u> | <u>40,070</u> | <u>5,000</u> | <u>45,070</u> |
| NET ASSETS - End of year | <u>\$ 31,127</u> | <u>\$ 5,850</u> | <u>\$ 36,977</u> | <u>\$ 33,733</u> | <u>\$ 19,485</u> | <u>\$ 53,218</u> |

See Accompanying Notes to Financial Statements

**THE DETROIT CREATIVITY PROJECT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------------------------------------------------------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (16,241) | \$ 8,148 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Contributions receivable | 12,260 | (17,325) |
| Accounts receivable | 3,035 | (3,035) |
| Accounts payable and accrued expenses | <u>-</u> | <u>(2,433)</u> |
| Net cash used by operating activities | <u>(946)</u> | <u>(14,645)</u> |
| NET CHANGE IN CASH | (946) | (14,645) |
| CASH - Beginning of year | <u>32,858</u> | <u>47,503</u> |
| CASH - End of year | <u>\$ 31,912</u> | <u>\$ 32,858</u> |

See Accompanying Notes to Financial Statements

**THE DETROIT CREATIVITY PROJECT
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

| | 2017 | | | | 2016 | | | |
|---------------------------------|-------------------|---------------------------|-----------------|-------------------|------------------|---------------------------|-----------------|-------------------|
| | Program | Management and general | Fundraising | Total | Program | Management and general | Fundraising | Total |
| Awards and grants | \$ 104,398 | \$ - | \$ - | \$ 104,398 | \$ 79,965 | \$ - | \$ - | \$ 79,965 |
| Insurance | - | 2,057 | - | 2,057 | - | 2,056 | - | 2,056 |
| Marketing expense | - | 127 | 1,220 | 1,347 | - | 378 | 1,268 | 1,646 |
| Office expenses and supplies | 1,082 | 4,518 | - | 5,600 | 224 | 894 | - | 1,118 |
| Other program expenses | 2,605 | - | - | 2,605 | 5,380 | - | - | 5,380 |
| Professional services (donated) | 1,800 | - | - | 1,800 | 1,800 | - | - | 1,800 |
| Professional services | 1,200 | 11,521 | - | 12,721 | 4,645 | 5,216 | - | 9,861 |
| Rent expense (donated) | 1,800 | - | - | 1,800 | 2,850 | - | - | 2,850 |
| Rent expense | - | 319 | - | 319 | - | - | - | - |
| Travel expense | - | 132 | 1,970 | 2,102 | - | - | 1,903 | 1,903 |
| Total expenses | \$ 112,885 | \$ 18,674 | \$ 3,190 | \$ 134,749 | \$ 94,864 | \$ 8,544 | \$ 3,171 | \$ 106,579 |

See Accompanying Notes to Financial Statements

**THE DETROIT CREATIVITY PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

1. NATURE OF THE ORGANIZATION

The Detroit Creativity Project, ("DCP") was incorporated as a California non-profit organization with a mission to empower and inspire Detroit's young people through improvisation, an art form that helps students build confidence and develop a creative and collaborative approach to their lives. DCP created The Improv Project, a 10-week program offered during the fall and spring school semesters to teach middle and high school students in Detroit the art of improvisation. These students represent diverse ethnic and cultural groups, and come from neighborhoods across Detroit, Hamtramck, and River Rouge. The majority of those served are considered economically disadvantaged by federal measures. In 2016 and 2017 DCP contracted with Y Arts to administer The Improv Project at several schools and non-profit service organizations. Most of these programs were offered at no charge. There was a small portion of revenue attributed to paid programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of DCP have been prepared on the accrual basis of accounting to conform to generally accepted accounting principles in the United States of America ("US GAAP") as applicable to non-profit organizations. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of DCP and changes therein have been classified and are reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period; and net assets designated by the Board of Trustees or management for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of DCP and/or by the expiration of stipulated time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by DCP. Generally, the donors of these assets permit DCP to use all or part of the income earned on related investments for general or specific purposes. DCP has no permanently restricted net assets as of December 31, 2017 and 2016.

Accounts Receivable

Accounts Receivable is valued at net realizable value.

Revenue and Expense Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

**THE DETROIT CREATIVITY PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contribution Revenue

Contributions that constitute unconditional promises to give are recorded as receivables and revenues. For financial reporting purposes, DCP distinguishes between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets. Contributions on which donors have imposed restrictions which limit the use of the donated assets are reported as restricted. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributed assets which are subject to perpetual donor restrictions and from which only the current income may be used are classified as permanently restricted assets. Although restricted contributions typically are reported as support that increases restricted net assets, they may be reported as unrestricted support if the restrictions are met in the same reporting period, the policy is followed consistently, and it is disclosed.

In-Kind Donations

Donated services and donated rent are recognized at fair value. Donated services are recognized 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. During the year ended December 31, 2016 and 2017, DCP received donated services from artists for performance and donated rent for DCP's special events. In 2017, DCP received a donation of one-year's subscription for web-based fundraising software.

Directors and officers have made a significant contribution of their time to develop DCP and its programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such efforts under US GAAP have not been satisfied.

Concentration of Credit Risk

DCP maintains cash balances and certificates of deposit in one bank. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to statutory limits. For the years ended December 31, 2017 and 2016, two donors and three donors accounted for approximately 37% and 42% of the total contribution revenues, respectively.

Income Taxes

DCP is a California nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes was included in these financial statements.

Generally accepted accounting principles in the United States of America provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes all of the positions taken by DCP are more likely than not to be sustained upon examination.

**THE DETROIT CREATIVITY PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America may require management to make estimates and assumptions regarding the reported amounts of assets, liabilities, contingent assets and liabilities at the date of the financial statements and those estimates also affect the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the program and supporting activities of DCP have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program, management and general and fundraising functions, based upon the estimated benefit received by each function.

Subsequent Events

In preparing these financial statements, DCP has evaluated events and transactions for potential recognition or disclosure through March 29, 2018, the date the financial statements were available to be issued.

New Accounting Pronouncements Effective in Future Accounting Period

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities. This standard was issued to improve the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for fiscal year beginning after December 15, 2017, with early adoption permitted. Management will be evaluating the effects of this new standard.

On May 28, 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). For public business entities, certain not-for-profit entities, and certain employee benefit plans, the effective date was for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The effective date for all other entities was for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Since then, the Board issued proposed Accounting Standards Update, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The amendments in this Update defer the effective date of Update 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in Update 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Management will be evaluating the effects of this new standard.

**THE DETROIT CREATIVITY PROJECT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

3. CONTRIBUTIONS RECEIVABLE

As of December 31, 2017, contributions receivable of \$5,065 are expected to be collected within one year.

4. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2017 and 2016, temporarily restricted net assets are available for the following purposes:

| | <u>2017</u> | <u>2016</u> |
|----------------------------------------------------|-----------------|------------------|
| Professional development | \$ 1,000 | \$ - |
| Web-based fundraising software | 2,490 | - |
| Program evaluation | 2,360 | - |
| Time-restricted | - | 17,325 |
| Education workshops and new curriculum development | <u>-</u> | <u>2,160</u> |
| Total assets | <u>\$ 5,850</u> | <u>\$ 19,485</u> |

During the years ended December 31, 2017 and 2016, the following were released from donor restrictions by incurring such expenses:

| | <u>2017</u> | <u>2016</u> |
|----------------------------------------------------|------------------|-----------------|
| Time-restricted | \$ 17,325 | \$ - |
| Program evaluation | 1,140 | - |
| Web-based fundraising software | 498 | - |
| Education workshops and new curriculum development | <u>2,160</u> | <u>5,000</u> |
| Total releases | <u>\$ 21,123</u> | <u>\$ 5,000</u> |