

**ARTS SAN ANTONIO**

**Audited Financial Statements**

**September 30, 2010**

**AKIN, DOHERTY, KLEIN & FEUGE, P.C.**  
*Certified Public Accountants*

**ARTS SAN ANTONIO**  
**Table of Contents**  
**September 30, 2010**

	<u>Page</u>
<b>Audited Financial Statements</b>	
Report of Independent Auditors	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Audited Financial Statements	8



Thomas A. Akin  
David J. Doherty  
Howard H. Klein, Jr.  
Scott C. Kopecky  
Joseph A. Hernandez  
Susan M. Valdez

Registered with AICPA and TSCPA  
Member of Public Company Accounting  
Oversight Board  
  
[www.adkf.com](http://www.adkf.com)

**REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors  
Arts San Antonio  
San Antonio, Texas

We have audited the accompanying statements of financial position of Arts San Antonio as of September 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U. S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arts San Antonio as of September 30, 2010 and 2009, and the results of its activities, functional expenses and cash flows for the years then ended, in conformity with U. S. generally accepted accounting principles.

Akin, Doherty, Klein & Feuge, P.C.  
San Antonio, Texas  
November 5, 2010

**MAIN OFFICE**

507 East Blanco, Suite 101  
Boerne, Texas 78006  
Phone: 830 815-1100  
Fax: 830 249-3714

8610 North New Braunfels, Suite 101  
San Antonio, Texas 78217  
Phone: 210 829-1300  
Fax: 210 829-4080

1040 N. Walnut Avenue, Suite E  
New Braunfels, Texas 78130  
Phone: 830 387-4441  
Fax: 830 625-3456

**ARTS SAN ANTONIO**  
**Statements of Financial Position**  
**September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 8,846	\$ 82,390
Restricted	5,350	2,500
Accounts receivable	22,254	11,613
Prepaid expenses	<u>18,354</u>	<u>51,513</u>
Total current assets	54,804	148,016
Other Assets:		
Deposits	2,600	2,600
Furniture and equipment, net	<u>8,167</u>	<u>11,210</u>
Total other assets	<u>10,767</u>	<u>13,810</u>
<b>Total Assets</b>	<u><u>\$ 65,571</u></u>	<u><u>\$ 161,826</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 152,686	\$ 98,933
Advance ticket sales	10,237	16,773
Long-term debt, current portion	<u>34,075</u>	<u>160,000</u>
Total current liabilities	196,998	275,706
Long-Term Debt, net of current portion	130,338	-
Net Assets:		
Unrestricted (deficit)	(276,781)	(181,380)
Temporarily restricted	<u>15,016</u>	<u>67,500</u>
Total net assets (deficit)	<u>(261,765)</u>	<u>(113,880)</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 65,571</u></u>	<u><u>\$ 161,826</u></u>

*See notes to audited financial statements.*

**ARTS SAN ANTONIO**  
**Statement of Activities**  
**Year Ended September 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2010</u>
<b>Public Support and Revenue</b>			
Public support:			
Grant revenues	\$ 216,180	\$ -	\$ 216,180
Contributions	192,616	9,666	202,282
Contributed services	32,969	-	32,969
Revenue:			
Ticket sales and related revenue	622,908	-	622,908
Special events, net of expenses	<u>19,827</u>	<u>-</u>	<u>19,827</u>
Total public support and revenues	<u>1,084,500</u>	<u>9,666</u>	<u>1,094,166</u>
<b>Expenses</b>			
Production/program	980,189	-	980,189
General and administrative	116,394	-	116,394
Fundraising	<u>127,968</u>	<u>-</u>	<u>127,968</u>
Total expenses	<u>1,224,551</u>	<u>-</u>	<u>1,224,551</u>
<b>Change in Net Assets, FY 2010 Activities</b>	(140,051)	9,666	(130,385)
Costs accrued related to cancellation of performance scheduled for FY 2011 - Note G	<u>17,500</u>	<u>-</u>	<u>17,500</u>
<b>Change in Net Assets, Total</b>	(157,551)	9,666	(147,885)
Net assets released from restrictions	62,150	(62,150)	-
Net assets (deficit) at beginning of year	<u>(181,380)</u>	<u>67,500</u>	<u>(113,880)</u>
<b>Net Assets (Deficit) at End of Year</b>	<u>\$ (276,781)</u>	<u>\$ 15,016</u>	<u>\$ (261,765)</u>

*See notes to audited financial statements.*

**ARTS SAN ANTONIO**  
**Statement of Activities**  
**Year Ended September 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2009</u>
<b>Public Support and Revenue</b>			
Public support:			
Grant revenues	\$ 217,033	\$ -	\$ 217,033
Contributions	110,223	65,000	175,223
Contributed services	27,296	-	27,296
Revenue:			
Ticket sales and related revenue	741,115	-	741,115
Special events, net of expenses	11,518	-	11,518
Interest and dividend income	25	-	25
Total public support and revenues	<u>1,107,210</u>	<u>65,000</u>	<u>1,172,210</u>
<b>Expenses</b>			
Production/program	1,166,218	-	1,166,218
General and administrative	125,558	-	125,558
Fundraising	108,361	-	108,361
Total expenses	<u>1,400,137</u>	<u>-</u>	<u>1,400,137</u>
<b>Change in Net Assets</b>	(292,927)	65,000	(227,927)
Transfer of net assets - Artist Foundation	(71,186)	(10,000)	(81,186)
Net assets released from restrictions	70,630	(70,630)	-
Net assets at beginning of year	<u>112,103</u>	<u>83,130</u>	<u>195,233</u>
<b>Net Assets (Deficit) at End of Year</b>	<u>\$ (181,380)</u>	<u>\$ 67,500</u>	<u>\$ (113,880)</u>

*See notes to audited financial statements.*

**ARTS SAN ANTONIO**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2010**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Totals</u>
Direct production expenses	\$ 825,759	\$ -	\$ 35,136	\$ 860,895
Salaries	88,412	70,711	66,257	225,380
Payroll taxes	7,331	5,863	5,494	18,688
Employee benefits	7,602	7,804	3,599	19,005
Office supplies	2,814	7,534	2,538	12,886
Professional fees	12,751	10,201	2,550	25,502
Telephone	1,977	1,919	1,919	5,815
Dues and subscriptions	1,840	-	-	1,840
Rent and utilities	17,463	8,731	8,731	34,925
Depreciation	1,534	1,534	341	3,409
Travel and entertainment	240	30	30	300
Bank fees	10,399	-	1,155	11,554
Insurance	2,067	2,067	218	4,352
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<u>\$ 980,189</u>	<u>\$ 116,394</u>	<u>\$ 127,968</u>	<u>\$ 1,224,551</u>

*See notes to audited financial statements.*

**ARTS SAN ANTONIO**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2009**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Totals</u>
Direct production expenses	\$ 1,013,736	\$ -	\$ 42,239	\$ 1,055,975
Salaries	83,080	74,461	41,925	199,466
Payroll taxes	6,469	5,797	3,264	15,530
Employee benefits	9,426	10,099	4,040	23,565
Equipment rental and maintenance	1,574	787	787	3,148
Office supplies	-	10,338	-	10,338
Postage	-	370	1,481	1,851
Printing	207	41	28	276
Professional fees	11,191	7,461	-	18,652
Telephone	6,372	797	797	7,966
Rent and utilities	20,547	10,274	10,274	41,095
Depreciation	1,395	1,395	310	3,100
Travel and entertainment	5,338	1,779	1,779	8,896
Bank fees	4,924	-	1,231	6,155
Insurance	1,959	1,959	206	4,124
<b>Total Expenses</b>	<u>\$ 1,166,218</u>	<u>\$ 125,558</u>	<u>\$ 108,361</u>	<u>\$ 1,400,137</u>

*See notes to audited financial statements.*



**ARTS SAN ANTONIO**  
**Statements of Cash Flows**  
**Years Ended September 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Activities</b>		
Change in net assets	\$ (147,885)	\$ (227,927)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,409	3,099
Changes in operating assets and liabilities:		
Accounts receivable	(10,641)	17,541
Prepaid expenses	33,159	(27,249)
Accounts payable	53,753	65,623
Advance ticket sales	(6,536)	1,168
Net cash (used) by operating activities	<u>(74,741)</u>	<u>(167,745)</u>
<b>Investing Activities</b>		
Purchases of furniture and equipment	(366)	(4,527)
Net cash (used) by investing activities	<u>(366)</u>	<u>(4,527)</u>
<b>Financing Activities</b>		
Borrowings on long-term debt	15,000	160,000
Repayments on long-term debt	(10,587)	-
Transfer of net assets - Artist Foundation	-	(81,186)
Net cash provided by financing activities	<u>4,413</u>	<u>78,814</u>
Net change in cash	(70,694)	(93,458)
Cash and cash equivalents at beginning of year	<u>84,890</u>	<u>178,348</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 14,196</u></u>	<u><u>\$ 84,890</u></u>
<b>Supplemental Disclosures</b>		
Interest paid in cash	\$ 10,545	\$ 1,051
Income taxes paid in cash	-	-

*See notes to audited financial statements.*

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2010 and 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Nature of Activities:* Arts San Antonio (the Association) is a Texas non-profit corporation chartered on June 10, 1992. The Association organizes, produces, presents and showcases the highest quality performing and visual arts with a goal to promote and enrich the cultural and educational environment of San Antonio by bringing together international, national, regional and local artists creating an environment to fulfill a variety of human needs. The Association's support comes primarily from ticket sales, contributions, and grant revenues.

*Basis of Accounting and Presentation:* The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

*Unrestricted:* Net assets that are not subject to donor-imposed restrictions.

*Temporarily Restricted:* Net assets subject to donor-imposed restrictions that will be met by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

*Permanently Restricted:* Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at year end.

*Contributions:* The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, such assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support in the same reporting year.

*Special Events:* Special event revenues are reported net of expenses of \$9,823 in 2010 and \$10,682 in 2009.

*Functional Allocation of Expenses:* The costs of providing the services and other activities of the Association have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Cash and Cash Equivalents:* Cash and cash equivalents consist of unrestricted cash on hand, demand deposits held by financial institutions, and any equivalent securities with a maturity of three months or less. Restricted cash represents amounts deposited in a fund whereby withdrawals are restricted until certain minimum balance requirements are attained.

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2010 and 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Accounts Receivable:* Accounts receivable are reported at outstanding principal, net of an allowance for doubtful accounts if deemed necessary. The allowance for doubtful accounts is generally determined based on an account-by-account review and historical trends. Accounts are charged off when collection efforts have failed and the account is deemed uncollectible. An allowance was not deemed necessary at September 30, 2010 and 2009. Interest is generally not charged on the receivables.

*Furniture and Equipment:* Furniture and equipment are valued at historical cost or estimated fair value at date of donation. Expenses for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related asset (generally five years).

*Advance Ticket Sales:* Advance ticket sales represent current year collections of ticket sales for events scheduled for performance in the next year.

*Advertising:* Advertising costs are expensed as incurred and amounted to approximately \$268,000 in 2010, which included \$27,524 of contributed services, and \$229,000 in 2009, which included \$27,296 of contributed services. These costs are included within the direct production expense category.

*Income Taxes:* Arts San Antonio is a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. The Association is not a private foundation; accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last 4 years remain subject to examination. The Association is not subject to the Texas margin tax.

*Subsequent Events:* Subsequent events have been evaluated by management through the date of the report of the independent auditors. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

*New Accounting Pronouncements:* Management is not aware of any new accounting pronouncements that have been released, and are not yet effective, which will have a significant impact to its financial position or results of operations in future periods.

*Use of Estimates:* The preparation of financial statements in conformity with U. S. generally accepted accounting principles 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.

*Concentrations of Credit Risk:* Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash. The Association places its temporary cash investments with financial institutions and limits the amount of credit exposure, although it may from time to time have cash balances in excess of that insured by the FDIC.

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2010 and 2009**

**NOTE B - CONTRIBUTED SERVICES AND MATERIALS**

A substantial number of individuals and businesses have made significant contributions to provide various services to the Association, such as advertising, hotel accommodations, airline tickets, and similar items. The value of these services is reflected in the financial statements as both revenue and expenses and amounted to \$27,524 in 2010 and \$27,296 in 2009.

**NOTE C - FURNITURE AND EQUIPMENT**

Furniture and equipment consists of the following at September 30:

	<u>2010</u>	<u>2009</u>
Office equipment	\$ 32,669	\$ 32,303
Office furniture	<u>4,168</u>	<u>4,168</u>
Total furniture and equipment	36,837	36,471
Less accumulated depreciation	<u>(28,670)</u>	<u>(25,261)</u>
Furniture and equipment, net	<u>\$ 8,167</u>	<u>\$ 11,210</u>

**NOTE D – ADVANCE TICKET SALES**

Advance ticket sales consist of the following at September 30:

	<u>2010</u>	<u>2009</u>
David Krakauer and Klezmer Madness!	\$ 961	\$ -
Nutcracker	1,003	-
Mariangela Vacatello	384	-
Vince Gill	609	-
The Vienna Boys Choir	693	-
The Silk Road Ensemble with Yo-Yo Ma	4,587	-
Gala – The Silk Road Ensemble with Yo-Yo Ma	2,000	-
Virsky	-	3,757
Nutcracker	-	1,740
Masquerade	-	1,500
Nemanja Recital	-	1,027
Ballet Folklorico	-	1,497
Pablo Ziegler	-	1,067
Haochen Zhang	-	1,027
TAO Drumming	-	1,199
Ballet de Monterrey	-	1,164
Others	<u>-</u>	<u>2,795</u>
Total advance ticket sales	<u>\$ 10,237</u>	<u>\$ 16,773</u>

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2010 and 2009**

**NOTE E – LONG-TERM DEBT**

Long-term debt consists of the following at September 30:

	<u>2010</u>	<u>2009</u>
Note payable with Frost Bank with interest at prime plus 3.0% (6.25% at September 2010), monthly principle and interest payments of \$2,437, secured by certain assets, with maturity in June 2015.	\$ 119,658	\$ -
Note payable with Frost Bank with interest at prime plus 3.5% (6.75% at September 2010), monthly principle and interest payments of \$1,196, secured by certain assets, with maturity in February 2014.	44,755	-
Line of credit with Frost Bank with interest at prime plus 1.75%, monthly interest only payments, total available credit of \$50,000, matured in February 2010.	-	50,000
Line of credit with Frost Bank with interest at prime plus 1.75%, monthly interest only payments, total available credit of \$125,000, matured November 2009.	<u>-</u>	<u>110,000</u>
Total long-term debt	<u>\$ 164,413</u>	<u>\$ 160,000</u>

Repayments of long-term debt will require the following annual amounts:

<u>Year Ended June 30:</u>	<u>Amount</u>
2011	\$ 34,075
2012	36,330
2013	38,732
2014	34,227
2015	<u>21,049</u>
	<u>\$ 164,413</u>

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2010 and 2009**

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of cash that is available for the following purposes at September 30:

	<u>2009</u>	<u>Funds Utilized</u>	<u>Additions</u>	<u>Transfers</u>	<u>2010</u>
Arts Teach	\$ 15,000	\$ (15,000)	\$ -	\$ -	\$ -
The Silk Road Ensemble	-	-	9,666	-	9,666
Virsky	50,000	(50,000)	-	-	-
Acorn Fund	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,850</u>	<u>5,350</u>
Total temporarily restricted net assets	<u>\$ 67,500</u>	<u>\$ (65,000)</u>	<u>\$ 9,666</u>	<u>\$ 2,850</u>	<u>\$ 15,016</u>

**NOTE G - COMMITMENTS AND CONTINGENCIES**

*Grants and Bequests:* Grants and bequests generally require the fulfillment of certain conditions as set forth in the instrument of grant. Management believes it has accommodated the objectives of grants and bequests it has received.

*Leases:* The Association leases its administrative office under an operating lease that expires December 31, 2012. Under the lease agreement, the Association is responsible for utilities and for common area maintenance (CAM) charges. Rent expense, including utilities and CAM, was approximately \$34,900 in 2010 and \$41,100 in 2009. Future minimum lease payments required under the non-cancelable leases are as follows:

<u>Year Ending September 30:</u>	<u>Amount</u>
2011	\$ 30,000
2012	7,500

*Cancellation of FY 2011 Performance:* The Association is involved in a claim stemming from a contract dispute. The Association is disputing the amount due after the cancellation of a performance, which was originally scheduled for FY 2011. The Association is currently in discussions with the counter-party, and has accrued \$17,500 towards this claim.

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2010 and 2009**

**NOTE H – THE ARTIST FOUNDATION OF SAN ANTONIO**

During 2006, the Association assumed the administration of The Artist Foundation of San Antonio, which had previously been operating as a separate organization. The Artist Foundation of San Antonio promotes, supports, nurtures, and encourages the development of artistic excellence on an individual basis in the Bexar County region, and provides grants to selected artists.

During 2009, the Artist Foundation received their designation as a 501(c)(3) organization and once again began operating as a separate organization. The separation of the Foundation resulted in the transfer of \$81,186 from the Organization to the Artist Foundation. This is reported as a transfer of net assets on the statement of activities for the year ended September 30, 2009. These financial statements do not include any activity related to operations of the Artist Foundation for the fiscal years ended September 30, 2010 and 2009.