

**ARTS SAN ANTONIO**

**Audited Financial Statements**

**September 30, 2011**

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

**ARTS SAN ANTONIO**  
**Table of Contents**  
**September 30, 2011**

	<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



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**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, 2011 and 2010, 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, 2011 and 2010, 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 4, 2011

**MAIN OFFICE**

**ARTS SAN ANTONIO**  
**Statements of Financial Position**  
**September 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 24,840	\$ 8,846
Restricted	7,150	5,350
Accounts receivable	4,220	22,254
Prepaid expenses	24,047	18,354
Total current assets	<u>60,257</u>	<u>54,804</u>
Other Assets:		
Deposits	2,600	2,600
Furniture and equipment, net	5,461	8,167
Total other assets	<u>8,061</u>	<u>10,767</u>
<b>Total Assets</b>	<u>\$ 68,318</u>	<u>\$ 65,571</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 96,772	\$ 152,686
Advance ticket sales	58,279	10,237
Long-term debt, current portion	36,330	34,075
Total current liabilities	<u>191,381</u>	<u>196,998</u>
Long-Term Debt, net of current portion	94,163	130,338
Net Assets:		
Unrestricted (deficit)	(230,970)	(276,781)
Temporarily restricted	13,744	15,016
Total net assets (deficit)	<u>(217,226)</u>	<u>(261,765)</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 68,318</u>	<u>\$ 65,571</u>

*See notes to audited financial statements.*

**ARTS SAN ANTONIO**  
**Statement of Activities**  
**Year Ended September 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2011</u>
<b>Public Support and Revenue</b>			
Public support:			
Grant revenues	\$ 198,671	\$ -	\$ 198,671
Contributions	168,051	8,394	176,445
Contributed services	49,435	-	49,435
Revenue:			
Ticket sales and related revenue	650,703	-	650,703
Special events, net of expenses	50,918	-	50,918
Other income	10,768	-	10,768
Total public support and revenues	<u>1,128,546</u>	<u>8,394</u>	<u>1,136,940</u>
<b>Expenses</b>			
Production and program	878,376	-	878,376
General and administrative	123,881	-	123,881
Fundraising	90,144	-	90,144
Total expenses	<u>1,092,401</u>	<u>-</u>	<u>1,092,401</u>
<b>Change in Net Assets</b>	36,145	8,394	44,539
Net assets released from restrictions	9,666	(9,666)	-
Net assets (deficit) at beginning of year	<u>(276,781)</u>	<u>15,016</u>	<u>(261,765)</u>
<b>Net Assets (Deficit) at End of Year</b>	<u>\$ (230,970)</u>	<u>\$ 13,744</u>	<u>\$ (217,226)</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	19,827	-	19,827
Total public support and revenues	<u>1,084,500</u>	<u>9,666</u>	<u>1,094,166</u>
<b>Expenses</b>			
Production and program	980,189	-	980,189
General and administrative	116,394	-	116,394
Fundraising	127,968	-	127,968
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 Functional Expenses**  
**Year Ended September 30, 2011**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Direct production expenses	\$ 722,077	\$ -	\$ -	\$ 722,077
Salaries	88,051	73,669	60,675	222,395
Payroll taxes	7,719	6,458	5,319	19,496
Employee benefits	11,549	11,855	5,468	28,872
Office supplies	2,678	8,034	2,678	13,390
Professional fees	8,725	6,980	1,745	17,450
Telephone	2,057	1,997	1,997	6,051
Dues and subscriptions	100	-	-	100
Rent and utilities	16,290	8,145	8,145	32,580
Depreciation	1,406	1,406	312	3,124
Travel and entertainment	1,664	208	208	2,080
Bank fees	9,033	-	1,004	10,037
Fundraising	-	-	1,769	1,769
Transfers to Acorn Fund	-	1,800	-	1,800
General marketing	4,226	528	529	5,283
Insurance	2,801	2,801	295	5,897
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Expenses</b>	<u>\$ 878,376</u>	<u>\$ 123,881</u>	<u>\$ 90,144</u>	<u>\$ 1,092,401</u>

*See notes to audited financial statements.*

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

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Totals</b>
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
<b>Total Expenses</b>	<b>\$ 980,189</b>	<b>\$ 116,394</b>	<b>\$ 127,968</b>	<b>\$ 1,224,551</b>

*See notes to audited financial statements.*



**ARTS SAN ANTONIO**  
**Statements of Cash Flows**  
**Years Ended September 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Activities</b>		
Change in net assets	\$ 44,539	\$ (147,885)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,124	3,409
Changes in operating assets and liabilities:		
Accounts receivable	18,034	(10,641)
Prepaid expenses	(5,693)	33,159
Accounts payable	(55,914)	53,753
Advance ticket sales	48,042	(6,536)
Net cash provided (used) by operating activities	<u>52,132</u>	<u>(74,741)</u>
<b>Investing Activities</b>		
Purchases of furniture and equipment	(418)	(366)
Net cash (used) by investing activities	<u>(418)</u>	<u>(366)</u>
<b>Financing Activities</b>		
Borrowings on long-term debt	-	15,000
Repayments on long-term debt	(33,920)	(10,587)
Net cash provided (used) by financing activities	<u>(33,920)</u>	<u>4,413</u>
Net change in cash	17,794	(70,694)
Cash and cash equivalents at beginning of year	<u>14,196</u>	<u>84,890</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 31,990</u></u>	<u><u>\$ 14,196</u></u>
<b>Supplemental Disclosures</b>		
Interest paid in cash	\$ 9,641	\$ 10,545
Income taxes paid in cash	-	-

*See notes to audited financial statements.*

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2011 and 2010**

**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.

*Revenue Recognition:* Revenue from ticket sales is included in income when the program to which the ticket sale applies is performed. Ticket sales occurring prior to a performance are reported as *advanced ticket sales* (liability account).

*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 \$60,697 in 2011 and \$9,823 in 2010.

*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, 2011 and 2010**

**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 considered necessary at September 30, 2011 and 2010. Interest is generally not charged on accounts receivable.

*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 \$171,000 in 2011 and \$268,000 in 2010. These costs are included within *production and program expenses* in the Statement of Activities.

*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.

*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.

*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.

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2011 and 2010**

**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 \$49,435 in 2011 and \$27,524 in 2010.

**NOTE C - FURNITURE AND EQUIPMENT**

Furniture and equipment consists of the following at September 30:

	<u>2011</u>	<u>2010</u>
Office equipment	\$ 33,087	\$ 32,669
Office furniture	<u>4,168</u>	<u>4,168</u>
Total furniture and equipment	37,255	36,837
Less accumulated depreciation	<u>(31,794)</u>	<u>(28,670)</u>
Furniture and equipment, net	<u>\$ 5,461</u>	<u>\$ 8,167</u>

**NOTE D - ADVANCE TICKET SALES**

Advance ticket sales consist of the following at September 30:

	<u>2011</u>	<u>2010</u>
Nutcracker	\$ 43,131	\$ 1,003
Nobuyuki Tsujii	3,230	-
Mark Twain	7,406	-
The Kings of Salsa	1,162	-
A Very Latin Christmas	281	-
The Chieftains	2,569	-
Tsujii - Meet the Artist	500	-
David Krakauer and Klezmer Madness!	-	961
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	<u>-</u>	<u>2,000</u>
Total advance ticket sales	<u>\$ 58,279</u>	<u>\$ 10,237</u>

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2011 and 2010**

**NOTE E – LONG-TERM DEBT**

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

	<u>2011</u>	<u>2010</u>
Note payable to Frost Bank with interest at prime plus 3.0% (6.25% at September 2011), monthly principle and interest payments of \$2,437, secured by certain assets, with maturity in June 2015.	\$ 97,358	\$ 119,658
Note payable to Frost Bank with interest at prime plus 3.5% (6.75% at September 2011), monthly principle and interest payments of \$1,196, secured by certain assets, with maturity in February 2014.	<u>33,135</u>	<u>44,755</u>
Total long-term debt	<u>\$ 130,493</u>	<u>\$ 164,413</u>

Repayments of long-term debt will require the following principal payments:

<u>Year Ended June 30:</u>	<u>Amount</u>
2012	\$ 36,330
2013	38,732
2014	34,285
2015	<u>21,146</u>
	<u>\$ 130,493</u>

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2011 and 2010**

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2010</u>	<u>Funds Utilized</u>	<u>Additions</u>	<u>Transfers</u>	<u>2011</u>
The Silk Road Ensemble	\$ 9,666	\$ (9,666)	\$ -	\$ -	\$ -
Nobuyuki Tsujii	-	-	1,160	-	1,160
Frost Bank equipment	-	-	5,434	-	5,434
Acorn Fund	<u>5,350</u>	<u>-</u>	<u>-</u>	<u>1,800</u>	<u>7,150</u>
Total temporarily restricted net assets	<u>\$ 15,016</u>	<u>\$ (9,666)</u>	<u>\$ 6,594</u>	<u>\$ 1,800</u>	<u>\$ 13,744</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, 2011. 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 \$32,600 in 2011 and \$34,900 in 2010. Future minimum lease payments required under the non-cancelable leases are as follows:

<u>Year Ending</u> <u>September 30:</u>	<u>Amount</u>
2012	7,500