

**ARTS SAN ANTONIO**

**Audited Financial Statements**

**September 30, 2012**

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

**ARTS SAN ANTONIO**  
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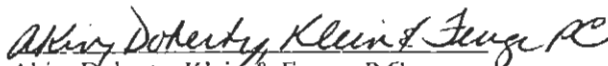
**REPORT OF INDEPENDENT AUDITORS**

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, 2012 and 2011, 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, 2012 and 2011, 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 9, 2012

**ARTS SAN ANTONIO**  
**Statements of Financial Position**  
**September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 11,502	\$ 24,840
Restricted	8,950	7,150
Accounts receivable	20,675	4,220
Prepaid expenses	28,651	24,047
Total current assets	<u>69,778</u>	<u>60,257</u>
Other Assets:		
Deposits	1,694	2,600
Furniture and equipment, net	6,251	5,461
Total other assets	<u>7,945</u>	<u>8,061</u>
<b>Total Assets</b>	<u>\$ 77,723</u>	<u>\$ 68,318</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 88,876	\$ 96,772
Advance ticket sales	106,001	58,279
Long-term debt, current portion	38,732	36,330
Total current liabilities	<u>233,609</u>	<u>191,381</u>
Long-Term Debt, net of current portion	55,588	94,163
Net Assets:		
Unrestricted (deficit)	(277,516)	(230,970)
Temporarily restricted	66,042	13,744
Total net assets (deficit)	<u>(211,474)</u>	<u>(217,226)</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 77,723</u>	<u>\$ 68,318</u>

*See notes to audited financial statements.*

**ARTS SAN ANTONIO**  
**Statement of Activities**  
**Year Ended September 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2012</u>
<b>Public Support and Revenue</b>			
Public support:			
Grant revenues	\$ 191,087	\$ -	\$ 191,087
Contributions	177,807	7,800	185,607
Contributed services and materials	36,403	-	36,403
Revenue:			
Ticket sales and related revenue	390,599	-	390,599
Special events, net of expenses	25,481	51,092	76,573
Other income	-	-	-
Total public support and revenues	<u>821,377</u>	<u>58,892</u>	<u>880,269</u>
<b>Expenses</b>			
Production and program	636,527	-	636,527
General and administrative	140,597	-	140,597
Fundraising	97,393	-	97,393
Total expenses	<u>874,517</u>	<u>-</u>	<u>874,517</u>
<b>Change in Net Assets</b>	(53,140)	58,892	5,752
Net assets released from restrictions	6,594	(6,594)	-
Net assets (deficit) at beginning of year	<u>(230,970)</u>	<u>13,744</u>	<u>(217,226)</u>
<b>Net Assets (Deficit) at End of Year</b>	<u>\$ (277,516)</u>	<u>\$ 66,042</u>	<u>\$ (211,474)</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 Functional Expenses**  
**Year Ended September 30, 2012**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Direct production expenses	\$ 480,419	\$ -	\$ -	\$ 480,419
Salaries	89,704	84,784	64,978	239,466
Payroll taxes	7,721	7,297	5,592	20,610
Employee benefits	16,055	16,549	7,533	40,137
Office supplies	1,669	5,009	1,671	8,349
Professional fees	10,537	8,430	2,107	21,074
Telephone	2,971	2,884	2,884	8,739
Dues and subscriptions	20	-	-	20
Rent and utilities	14,150	7,075	7,075	28,300
Office maintenance	1,380	690	690	2,760
Moving expenses	-	1,961	-	1,961
Depreciation	1,978	1,978	439	4,395
Travel and entertainment	790	99	99	988
Bank fees	7,050	-	783	7,833
Fundraising	-	-	3,322	3,322
Transfers to Acorn Fund	-	1,800	-	1,800
General marketing	48	6	6	60
Insurance	2,035	2,035	214	4,284
<b>Total Expenses</b>	<u>\$ 636,527</u>	<u>\$ 140,597</u>	<u>\$ 97,393</u>	<u>\$ 874,517</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**  
**Statements of Cash Flows**  
**Years Ended September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Activities</b>		
Change in net assets	\$ 5,752	\$ 44,539
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,395	3,124
Changes in operating assets and liabilities:		
Accounts receivable	(16,455)	18,034
Prepaid expenses and deposits	(3,698)	(5,693)
Accounts payable	(7,896)	(55,914)
Advance ticket sales	47,722	48,042
Net cash provided by operating activities	<u>29,820</u>	<u>52,132</u>
<b>Investing Activities</b>		
Purchases of furniture and equipment	(5,185)	(418)
Net cash (used) by investing activities	<u>(5,185)</u>	<u>(418)</u>
<b>Financing Activities</b>		
Repayments on long-term debt	(36,173)	(33,920)
Net cash (used) by financing activities	<u>(36,173)</u>	<u>(33,920)</u>
Net change in cash	(11,538)	17,794
Cash and cash equivalents at beginning of year	<u>31,990</u>	<u>14,196</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 20,452</u></u>	<u><u>\$ 31,990</u></u>
<b>Supplemental Disclosures</b>		
Interest paid in cash	\$ 7,387	\$ 9,641
Income taxes paid in cash	-	-

*See notes to audited financial statements.*

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2012 and 2011**

**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 September 30, 2012 and 2011.

*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 *advance 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 \$16,437 in 2012 and \$60,697 in 2011.

*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, 2012 and 2011**

**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, 2012 and 2011. 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 \$152,000 in 2012 and \$171,000 in 2011. 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 four 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, 2012 and 2011**

**NOTE B - CONTRIBUTED SERVICES AND MATERIALS**

Certain individuals and businesses have made significant contributions to provide various services and materials to the Association, such as advertising and marketing materials. The value of these is reflected in the financial statements as both revenue and expenses and amounted to \$36,403 in 2012 and \$49,435 in 2011.

**NOTE C - FURNITURE AND EQUIPMENT**

Furniture and equipment consists of the following at September 30:

	<u>2012</u>	<u>2011</u>
Office equipment	\$ 38,272	\$ 33,087
Office furniture	<u>4,168</u>	<u>4,168</u>
Total furniture and equipment	42,440	37,255
Less accumulated depreciation	<u>(36,189)</u>	<u>(31,794)</u>
Furniture and equipment, net	<u>\$ 6,251</u>	<u>\$ 5,461</u>

**NOTE D - ADVANCE TICKET SALES**

Advance ticket sales consist of the following at September 30:

	<u>2012</u>	<u>2011</u>
Nutcracker	\$ 10,988	\$ 43,131
Ballet Folklorico	22,707	-
Shaolin Warriors	10,289	-
Chucho Valdez	10,915	-
The Romeros	11,026	-
Joffrey Ballet	11,699	-
Les Ballets Trockadero	10,150	-
Shatner's World	7,235	-
Shatner's World - Meet the Artist	1,502	-
2 Cellos	437	-
Romeo & Juliet	9,053	-
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	<u>-</u>	<u>500</u>
Total advance ticket sales	<u>\$ 105,001</u>	<u>\$ 58,279</u>

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2012 and 2011**

**NOTE E – LONG-TERM DEBT**

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

	<u>2012</u>	<u>2011</u>
Note payable to Frost Bank with interest at prime plus 3.0% (6.25% at September 2012), monthly principle and interest payments of \$2,437, secured by certain assets, with maturity in June 2015.	\$ 73,620	\$ 97,358
Note payable to Frost Bank with interest at prime plus 3.5% (6.75% at September 2012), monthly principle and interest payments of \$1,196, secured by certain assets, with maturity in February 2014.	<u>20,700</u>	<u>33,135</u>
Total long-term debt	<u>\$ 94,320</u>	<u>\$ 130,493</u>

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

<u>Year Ended September 30:</u>	<u>Amount</u>
2013	\$ 38,732
2014	34,342
2015	<u>21,246</u>
	<u>\$ 94,320</u>

**ARTS SAN ANTONIO**  
**Notes to Audited Financial Statements**  
**September 30, 2012 and 2011**

**NOTE F - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2011</u>	<u>Funds Utilized</u>	<u>Additions</u>	<u>Transfers</u>	<u>2012</u>
Nobuyuki Tsujii	\$ 1,160	\$ (1,160)	\$ -	\$ -	\$ -
Frost Bank equipment	5,434	(5,434)	-	-	-
Computer purchases	-	-	6,000	-	6,000
Joffrey Experience	-	-	51,092	-	51,092
Acorn Fund	<u>7,150</u>	<u>-</u>	<u>-</u>	<u>1,800</u>	<u>8,950</u>
Total temporarily restricted net assets	<u>\$ 13,744</u>	<u>\$ (6,594)</u>	<u>\$ 57,092</u>	<u>\$ 1,800</u>	<u>\$ 66,042</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 with a primary lease term extending through December 31, 2016. The lease includes two renewal options for two additional years each. Rent expense was \$28,300 in 2012 and approximately \$32,600 in 2011. Future minimum lease payments required under the non-cancelable leases are as follows:

<u>Year Ending</u> <u>September 30:</u>	<u>Amount</u>
2013	18,900
2014	20,100
2015	21,300
2016	22,500
2017	5,700

*Operating Condition:* Although they are experiencing some cash restraints, ARTS San Antonio continues to operate. The Association has worked with its vendors to establish payment terms and is current with its debt payments to Frost Bank. To help with cash flow the Association started ticket sales for the 2013 season earlier than in prior years. Management believes the cash flow restraints are temporary.