

ARTS SAN ANTONIO

Audited Financial Statements

September 30, 2013

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

ARTS SAN ANTONIO
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Arts San Antonio, which comprise the statements of financial position of as of September 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditor's Responsibility

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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2013 and 2012, and 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 8, 2013

ARTS SAN ANTONIO
Statements of Financial Position
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 62,183	\$ 11,502
Restricted	-	8,950
Accounts receivable	59,134	20,675
Prepaid expenses	49,676	28,651
Total current assets	<u>170,993</u>	<u>69,778</u>
Other Assets:		
Deposits	1,550	1,694
Furniture and equipment, net	9,224	6,251
Total other assets	<u>10,774</u>	<u>7,945</u>
Total Assets	<u><u>\$ 181,767</u></u>	<u><u>\$ 77,723</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 54,600	\$ 88,876
Advance ticket sales	177,458	106,001
Long-term debt, current portion	142,384	38,732
Total current liabilities	<u>374,442</u>	<u>233,609</u>
Long-Term Debt, net of current portion	21,314	55,588
Net Assets:		
Unrestricted (deficit)	(249,082)	(277,516)
Temporarily restricted	35,093	66,042
Total net assets (deficit)	<u>(213,989)</u>	<u>(211,474)</u>
Total Liabilities and Net Assets	<u><u>\$ 181,767</u></u>	<u><u>\$ 77,723</u></u>

See notes to audited financial statements.

ARTS SAN ANTONIO
Statement of Activities
Year Ended September 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2013</u>
Public Support and Revenue			
Public support:			
Grant revenues	\$ 192,817	\$ -	\$ 192,817
Contributions	264,348	-	264,348
Contributed services and materials	75,176	-	75,176
Revenue:			
Ticket sales and related revenue	951,947	-	951,947
Special events, net of expenses	4,971	35,093	40,064
Other income	11,956	-	11,956
Total public support and revenue	<u>1,501,215</u>	<u>35,093</u>	<u>1,536,308</u>
Expenses			
Production and program	1,276,551	-	1,276,551
General and administrative	133,168	-	133,168
Fundraising	129,104	-	129,104
Total expenses	<u>1,538,823</u>	<u>-</u>	<u>1,538,823</u>
Change in Net Assets	(37,608)	35,093	(2,515)
Net assets released from restrictions	66,042	(66,042)	-
Net assets (deficit) at beginning of year	<u>(277,516)</u>	<u>66,042</u>	<u>(211,474)</u>
Net Assets (Deficit) at End of Year	<u>\$ (249,082)</u>	<u>\$ 35,093</u>	<u>\$ (213,989)</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>
Public Support and Revenue			
Public support:			
Grant revenues	\$ 191,087	\$ -	\$ 191,087
Contributions	177,807	7,800	185,607
Contributed services	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 revenue	<u>821,377</u>	<u>58,892</u>	<u>880,269</u>
Expenses			
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>
Change in Net Assets	(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>
Net Assets (Deficit) at End of Year	<u>\$ (277,516)</u>	<u>\$ 66,042</u>	<u>\$ (211,474)</u>

See notes to audited financial statements.

ARTS SAN ANTONIO
Statement of Functional Expenses
Year Ended September 30, 2013

	<u>Production and Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Direct production expenses	\$ 1,117,907	\$ -	\$ -	\$ 1,117,907
Salaries	91,175	81,870	94,297	267,342
Payroll taxes	7,075	6,353	7,318	20,746
Employee benefits	13,426	12,981	7,158	33,565
Office supplies	1,333	4,000	1,332	6,665
Printing and postage	472	1,415	471	2,358
Professional fees	15,658	12,526	3,132	31,316
Telephone	2,806	2,724	2,724	8,254
Dues and subscriptions	802	-	-	802
Rent and utilities	11,518	5,759	5,759	23,036
Office maintenance	2,093	1,047	1,047	4,187
Depreciation	1,269	1,269	281	2,819
Travel and entertainment	1,149	144	145	1,438
Bank fees	6,395	-	711	7,106
Fundraising	-	-	4,355	4,355
Transfers to Acorn Fund	-	-	-	-
General marketing	449	56	56	561
Insurance	3,024	3,024	318	6,366
	<u>3,024</u>	<u>3,024</u>	<u>318</u>	<u>6,366</u>
Total Expenses	<u>\$ 1,276,551</u>	<u>\$ 133,168</u>	<u>\$ 129,104</u>	<u>\$ 1,538,823</u>

See notes to audited financial statements.

ARTS SAN ANTONIO
Statement of Functional Expenses
Year Ended September 30, 2012

	Production and Program	General and Administrative	Fundraising	Totals
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
Total Expenses	\$ 636,527	\$ 140,597	\$ 97,393	\$ 874,517

See notes to audited financial statements.

ARTS SAN ANTONIO
Statements of Cash Flows
Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Activities		
Change in net assets	\$ (2,515)	\$ 5,752
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	2,819	4,395
Changes in operating assets and liabilities:		
Accounts receivable	(38,459)	(16,455)
Prepaid expenses and deposits	(20,881)	(3,698)
Accounts payable	(34,276)	(7,896)
Advance ticket sales	71,457	47,722
Net cash (used) provided by operating activities	<u>(21,855)</u>	<u>29,820</u>
Investing Activities		
Purchases of furniture and equipment	<u>(5,792)</u>	<u>(5,185)</u>
Net cash (used) by investing activities	(5,792)	(5,185)
Financing Activities		
Additions to long-term debt	108,000	(36,173)
Repayments on long-term debt	<u>(38,622)</u>	<u>-</u>
Net cash (used) provided by financing activities	<u>69,378</u>	<u>(36,173)</u>
Net change in cash	41,731	(11,538)
Cash and cash equivalents at beginning of year	<u>20,452</u>	<u>31,990</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 62,183</u></u>	<u><u>\$ 20,452</u></u>
Supplemental Disclosures		
Interest paid in cash	\$ 6,761	\$ 7,387
Income taxes paid in cash	-	-

See notes to audited financial statements.

ARTS SAN ANTONIO
Notes to Audited Financial Statements
September 30, 2013 and 2012

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, 2013 and 2012.

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 \$13,102 in 2013 and \$16,437 in 2012.

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, 2013 and 2012

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, 2013 and 2012. 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 \$260,000 in 2013 and \$152,000 in 2012. 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 independent auditor's report. 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 periods. Actual results could differ from those estimates.

ARTS SAN ANTONIO
Notes to Audited Financial Statements
September 30, 2013 and 2012

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 \$75,176 in 2013 and \$36,403 in 2012.

NOTE C - FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at September 30:

	<u>2013</u>	<u>2012</u>
Office equipment	\$ 44,064	\$ 38,272
Office furniture	4,168	4,168
Total furniture and equipment	48,232	42,440
Less accumulated depreciation	<u>(39,008)</u>	<u>(36,189)</u>
 Furniture and equipment, net	 <u>\$ 9,224</u>	 <u>\$ 6,251</u>

NOTE D – ADVANCE TICKET SALES

Advance ticket sales consist of the following at September 30:

	<u>2013</u>	<u>2012</u>
Nutcracker	\$ 28,708	\$ 10,988
Diavolo	27,397	-
Yamato Drummers	33,509	-
Perservation Hall Jazz Band	15,502	-
Pilobolus	13,660	-
Los Vivancos	13,102	-
Celtic Nights	10,380	-
Arturo Sandoval	9,840	-
Motion House Dance Theatre	8,560	-
Van Cliburn Concert	8,314	-
Amadeus Leopold	8,486	-
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	<u>-</u>	<u>9,053</u>
 Total advance ticket sales	 <u>\$ 177,458</u>	 <u>\$ 106,001</u>

ARTS SAN ANTONIO
Notes to Audited Financial Statements
September 30, 2013 and 2012

NOTE E – LONG-TERM DEBT

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

	<u>2013</u>	<u>2012</u>
Note payable to Frost Bank with interest at prime plus 3.0% (6.25% at September 2013), monthly principle and interest payments of \$2,437, secured by certain assets, with maturity in June 2015.	\$ 48,317	\$ 73,620
Note payable to Frost Bank with interest at prime plus 3.5% (6.75% at September 2013), monthly principle and interest payments of \$1,196, secured by certain assets, with maturity in February 2014.	7,381	20,700
Note payable to Frost Bank with interest at prime plus 3.5% (6.75% at September 2013), interest only payments through maturity, January 15, 2014, unsecured.	<u>108,000</u>	<u>-</u>
Total long-term debt	<u>\$ 163,698</u>	<u>\$ 94,320</u>

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

<u>Year Ended September 30:</u>	<u>Amount</u>
2014	\$ 142,384
2015	<u>21,314</u>
	<u>\$ 163,698</u>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30:

	<u>2012</u>	<u>Funds Utilized</u>	<u>Additions</u>	<u>Transfers</u>	<u>2013</u>
Computer purchases	\$ 6,000	\$ (6,000)	\$ -	\$ -	\$ -
Joffrey Experience	51,092	(51,092)	-	-	-
Acorn Fund	8,950	-	600	(9,550)	-
Floating Feastival	<u>-</u>	<u>-</u>	<u>35,093</u>	<u>-</u>	<u>35,093</u>
Total temporarily restricted net assets	<u>\$ 66,042</u>	<u>\$ (57,092)</u>	<u>\$ 35,693</u>	<u>\$ (9,550)</u>	<u>\$ 35,093</u>

ARTS SAN ANTONIO
Notes to Audited Financial Statements
September 30, 2013 and 2012

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 \$18,900 in 2013 and \$24,595 in 2012. Future minimum lease payments required under the non-cancelable leases are as follows:

<u>Year Ending</u> <u>September 30:</u>	<u>Amount</u>
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 continued to start ticket sales for the 2014 season earlier than in prior years. Management believes the cash flow restraints are temporary.