

ARTS SAN ANTONIO

Audited Financial Statements

September 30, 2015

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 as of September 30, 2015 and 2014, 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, 2015 and 2014, 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 PC

Akin, Doherty, Klein & Feuge, P.C.

San Antonio, Texas

October 30, 2015

ARTS SAN ANTONIO
Statements of Financial Position
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,883	\$ 49,814
Accounts receivable	63,019	45,079
Prepaid expenses	57,312	58,150
Total current assets	<u>129,214</u>	<u>153,043</u>
Other Assets:		
Deposits	1,550	1,550
Furniture and equipment, net	7,240	8,292
Total other assets	<u>8,790</u>	<u>9,842</u>
Total Assets	<u><u>\$ 138,004</u></u>	<u><u>\$ 162,885</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 96,542	\$ 65,434
Advance ticket sales	172,893	258,856
Accrued liabilities	10,000	-
Line of credit	49,426	44,702
Long-term debt, current portion	-	21,363
Total current liabilities	<u>328,861</u>	<u>390,355</u>
Long-Term Debt, net of current portion	-	-
Net Assets:		
Unrestricted (deficit)	(230,319)	(251,793)
Temporarily restricted	39,462	24,323
Total net assets (deficit)	<u>(190,857)</u>	<u>(227,470)</u>
Total Liabilities and Net Assets	<u><u>\$ 138,004</u></u>	<u><u>\$ 162,885</u></u>

See notes to audited financial statements.

ARTS SAN ANTONIO
Statement of Activities
Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2015</u>
Public Support and Revenue			
Public support:			
Grant revenues	\$ 256,515	\$ -	\$ 256,515
Contributions	279,608	-	279,608
Contributed services and materials	44,443	-	44,443
Revenue:			
Ticket sales and related revenue	939,952	-	939,952
Special events, net of expenses	33,334	39,462	72,796
Other income	5,072	-	5,072
Total public support and revenue	<u>1,558,924</u>	<u>39,462</u>	<u>1,598,386</u>
Expenses			
Production and program	1,283,258	-	1,283,258
General and administrative	131,371	-	131,371
Fundraising	147,144	-	147,144
Total expenses	<u>1,561,773</u>	<u>-</u>	<u>1,561,773</u>
Change in Net Assets	(2,849)	39,462	36,613
Net assets released from restrictions	24,323	(24,323)	-
Net assets (deficit) at beginning of year	<u>(251,793)</u>	<u>24,323</u>	<u>(227,470)</u>
Net Assets (Deficit) at End of Year	<u>\$ (230,319)</u>	<u>\$ 39,462</u>	<u>\$ (190,857)</u>

See notes to audited financial statements.

ARTS SAN ANTONIO
Statement of Activities
Year Ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2014</u>
Public Support and Revenue			
Public support:			
Grant revenues	\$ 205,409	\$ -	\$ 205,409
Contributions	248,652	-	248,652
Contributed services and materials	44,479	-	44,479
Revenue:			
Ticket sales and related revenue	788,426	-	788,426
Special events, net of expenses	4,939	24,323	29,262
Other income	18,225	-	18,225
Total public support and revenue	<u>1,310,130</u>	<u>24,323</u>	<u>1,334,453</u>
Expenses			
Production and program	1,027,202	-	1,027,202
General and administrative	147,288	-	147,288
Fundraising	173,444	-	173,444
Total expenses	<u>1,347,934</u>	<u>-</u>	<u>1,347,934</u>
Change in Net Assets	(37,804)	24,323	(13,481)
Net assets released from restrictions	35,093	(35,093)	
Net assets (deficit) at beginning of year	<u>(249,082)</u>	<u>35,093</u>	<u>(213,989)</u>
Net Assets (Deficit) at End of Year	<u>\$ (251,793)</u>	<u>\$ 24,323</u>	<u>\$ (227,470)</u>

See notes to audited financial statements.

ARTS SAN ANTONIO
Statement of Functional Expenses
Year Ended September 30, 2015

	Production and Program	General and Administrative	Fundraising	Totals
Direct production expenses	\$ 1,037,836	\$ -	\$ -	\$ 1,037,836
Salaries	147,384	91,964	95,577	334,925
Payroll taxes	14,391	3,948	7,131	25,470
Employee benefits	37,858	10,386	18,762	67,006
Office supplies	4,392	1,205	2,177	7,774
Printing and postage	1,151	316	570	2,037
Professional fees	4,352	13,056	-	17,408
Telephone	4,358	1,196	2,160	7,714
Dues and subscriptions	261	261	263	785
Rent and utilities	14,848	4,073	7,359	26,280
Office maintenance	1,746	479	866	3,091
Depreciation	1,683	462	833	2,978
Travel and entertainment	516	142	255	913
Bank fees and interest	2,848	-	-	2,848
Fundraising	-	-	6,781	6,781
Conference fees	204	56	101	361
Contract services	5,623	1,543	2,786	9,952
Insurance	3,807	2,284	1,523	7,614
Total Expenses	\$ 1,283,258	\$ 131,371	\$ 147,144	\$ 1,561,773

See notes to audited financial statements.

ARTS SAN ANTONIO
Statement of Functional Expenses
Year Ended September 30, 2014

	Production and Program	General and Administrative	Fundraising	Totals
Direct production expenses	\$ 848,699	\$ -	\$ -	\$ 848,699
Salaries	101,823	88,155	118,043	308,021
Payroll taxes	7,626	6,603	8,841	23,070
Employee benefits	22,968	20,000	14,731	57,699
Office supplies	1,643	4,929	1,642	8,214
Printing and postage	437	1,310	437	2,184
Professional fees	14,634	11,707	2,926	29,267
Telephone	2,733	2,653	2,652	8,038
Dues and subscriptions	241	-	-	241
Rent and utilities	12,793	6,397	6,397	25,587
Office maintenance	1,432	716	716	2,864
Depreciation	1,354	1,354	301	3,009
Travel and entertainment	2,283	286	286	2,855
Bank fees and interest	5,358	-	-	5,358
Fundraising	-	-	16,137	16,137
Insurance	3,178	3,178	335	6,691
Total Expenses	\$ 1,027,202	\$ 147,288	\$ 173,444	\$ 1,347,934

See notes to audited financial statements.

ARTS SAN ANTONIO
Statements of Cash Flows
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ 36,613	\$ (13,481)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,978	3,009
Changes in operating assets and liabilities:		
Accounts receivable	(17,940)	14,055
Prepaid expenses and deposits	838	(8,474)
Accounts payable	31,108	10,834
Advance ticket sales	(85,963)	81,398
Accrued liabilities	10,000	-
Net cash provided (used) by operating activities	<u>(22,366)</u>	<u>87,341</u>
Investing Activities		
Purchases of furniture and equipment	<u>(1,926)</u>	<u>(2,077)</u>
Net cash (used) by investing activities	(1,926)	(2,077)
Financing Activities		
Borrowings on line of credit	127,048	44,702
Repayments on line of credit	(122,324)	-
Repayments on long-term debt	<u>(21,363)</u>	<u>(142,335)</u>
Net cash (used) provided by financing activities	<u>(16,639)</u>	<u>(97,633)</u>
Net change in cash	(40,931)	(12,369)
Cash and cash equivalents at beginning of year	<u>49,814</u>	<u>62,183</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 8,883</u></u>	<u><u>\$ 49,814</u></u>
Supplemental Disclosures		
Interest paid in cash	\$ 2,381	\$ 4,384
Income taxes paid in cash	-	-

See notes to audited financial statements.

ARTS SAN ANTONIO
Notes to Audited Financial Statements
September 30, 2015 and 2014

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 are more restrictive than the Association's mission and purpose, 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, 2015 and 2014.

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 \$59,078 in 2015 and \$47,358 in 2014.

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.

Joint Costs: The Association did not have joint costs related to fundraising activities during the year. Special events are all considered 100% fundraising costs.

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, 2015 and 2014

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, 2015 and 2014. 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 \$243,000 in 2015 and \$209,000 in 2014. These costs are included within *direct production 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.

Reclassification: Certain prior year amounts have been reclassified to conform to the current year's financial statement presentation. These reclassifications were not significant and did not affect the previously reported change in net assets.

ARTS SAN ANTONIO
Notes to Audited Financial Statements
September 30, 2015 and 2014

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 statement of activities as both revenue and expenses and amounted to \$44,443 in 2015 and \$44,479 in 2014.

NOTE C - FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at September 30:

	<u>2015</u>	<u>2014</u>
Office equipment	\$ 48,067	\$ 46,141
Office furniture	<u>4,168</u>	<u>4,168</u>
Total furniture and equipment	52,235	50,309
Less accumulated depreciation	<u>(44,995)</u>	<u>(42,017)</u>
Furniture and Equipment, net	<u><u>\$ 7,240</u></u>	<u><u>\$ 8,292</u></u>

NOTE D – ADVANCE TICKET SALES

Advance ticket sales consist of the following at September 30:

	<u>2015</u>	<u>2014</u>
Nutcracker	\$ 20,506	\$ 57,729
Adios Tour! Buena Vista Social Club	42,646	-
The National Acrobats and Circus of China	17,226	-
Band of the Royal Marines and Highland Pipes and Dancers	10,435	-
Events under \$10,000 in advance sales	82,080	54,742
Big Band Christmas	-	29,940
2 Cellos	-	22,406
Irish Christmas	-	16,139
Ballet Trockadero	-	12,897
Frogz	-	11,907
Blind Boys of Alabama	-	11,404
Chris Botti	-	11,020
The Peking Acrobats	-	10,376
Fiesta Navidad	-	10,286
Suzanne Vega	<u>-</u>	<u>10,010</u>
Total Advance Tickets	<u><u>\$ 172,893</u></u>	<u><u>\$ 258,856</u></u>

ARTS SAN ANTONIO
Notes to Audited Financial Statements
September 30, 2015 and 2014

NOTE E – LINE OF CREDIT AND LONG-TERM DEBT

Line of credit and long-term debt consists of the following at September 30:

	<u>2015</u>	<u>2014</u>
Line of credit, \$50,000, to Frost Bank with interest at prime plus 1.75% (5.00% at September 2015), interest only payments through maturity June 2016, unsecured	\$ 49,426	\$ 44,702
Note payable to Frost Bank with interest at prime plus 3.0% (6.25% at September 2014), monthly principal and interest payments of \$2,437, secured by certain assets, paid in full June 2015	<u>-</u>	<u>21,393</u>
Total Long Term Debt	<u>\$ 49,426</u>	<u>\$ 66,095</u>

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

<u>Year Ended September 30:</u>	Amount
2016	<u>\$ 49,426</u>

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30:

	<u>2015</u>	<u>Funds Utilized</u>	<u>Additions</u>	<u>Transfers</u>	<u>2016</u>
Floating Festival	<u>\$ 24,323</u>	<u>\$ (24,323)</u>	<u>\$ 39,462</u>	<u>\$ -</u>	<u>\$ 39,462</u>

ARTS SAN ANTONIO
Notes to Audited Financial Statements
September 30, 2015 and 2014

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 totaled \$21,300 in 2015 and \$20,100 in 2014. Future minimum lease payments required under the non-cancelable leases are as follows:

<u>Year Ending</u> <u>September 30:</u>	<u>Amount</u>
2016	\$ 22,500
2017	5,700

Operating Condition: Although Arts San Antonio has experienced some cash restraints, the Association is working 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 2016 season earlier than in prior years. Management believes the cash flow restraints are temporary.