

SPRINGFIELD REGIONAL ARTS COUNCIL

AUDITED FINANCIAL STATEMENTS

Years ended June 30, 2012 and 2011

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	3
FINANCIAL INFORMATION	
Statements of Financial Position.....	4
Statements of Activities	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8
SUPPLEMENTARY INFORMATION	
Schedule of Administrative Expenses	15



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Springfield Regional Arts Council
Springfield, Missouri

We have audited the accompanying statements of financial position of the Springfield Regional Arts Council, (a non-profit organization) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the Springfield Regional Arts Council, as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of administrative expenses on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
December 18, 2012

SPRINGFIELD REGIONAL ARTS COUNCIL
 STATEMENTS OF FINANCIAL POSITION
 Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents-unrestricted	\$ 156,929	\$ 159,532
Investments-unrestricted	114,696	108,540
Investments-restricted	91,743	124,224
Receivables	12,469	9,274
Prepaid expenses	<u>543</u>	<u>7,009</u>
TOTAL CURRENT ASSETS	376,380	408,579
Noncurrent Assets		
Equipment and furniture	218,146	218,146
Less accumulated depreciation	<u>(140,346)</u>	<u>(113,910)</u>
TOTAL NONCURRENT ASSETS	<u>77,800</u>	<u>104,236</u>
TOTAL ASSETS	<u>\$ 454,180</u>	<u>\$ 512,815</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,985	\$ 655
Deposits payable	605	705
Payroll withholdings payable	<u>9,995</u>	<u>11,333</u>
TOTAL CURRENT LIABILITIES	14,585	12,693
Net Assets		
Unrestricted	347,852	375,898
Temporarily restricted	23,523	55,719
Permanently restricted	<u>68,220</u>	<u>68,505</u>
TOTAL NET ASSETS	<u>439,595</u>	<u>500,122</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 454,180</u>	<u>\$ 512,815</u>

See accompanying notes.

SPRINGFIELD REGIONAL ARTS COUNCIL
 STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Public Support								
Programs								
Artsfest	\$ 133,077	\$ -	\$ -	\$ 133,077	\$ 136,130	\$ -	\$ -	\$ 136,130
Eclectic Endeavors	5,713	56	-	5,769	5,476	-	-	5,476
Fresh	44,482	979	-	45,461	43,138	-	-	43,138
LemonDrop	9,298	340	-	9,638	11,724	-	-	11,724
First Night	40,603	-	-	40,603	38,861	-	-	38,861
First Friday Art Walk	15,890	-	-	15,890	18,999	-	-	18,999
SATO 48 Film	450	-	-	450	750	-	-	750
Claymobile	6,715	-	-	6,715	4,069	-	-	4,069
Art Factory 417	5,286	-	-	5,286	32,686	-	-	32,686
Missouri Literary Festival	19,930	-	-	19,930	27,458	3,607	-	31,065
Teen Writing Workshop	-	60	-	60	-	-	-	-
Film	1,242	1,498	-	2,740	3,143	-	-	3,143
SRAC	49,556	-	-	49,556	39,974	-	-	39,974
Operating	169,174	-	-	169,174	144,335	-	-	144,335
Grants								
Blunt-BIG	-	-	-	-	144,062	-	-	144,062
Film	950	-	-	950	7,500	-	-	7,500
Artsfest	3,000	-	-	3,000	-	-	-	-
First Night	-	-	-	-	1,500	-	-	1,500
Claymobile	1,500	-	-	1,500	-	-	-	-
Arts Programming Sustainability	2,135	365	-	2,500	5,000	-	-	5,000
Lemon Drop	2,100	-	-	2,100	8,150	-	-	8,150
Missouri Literary Festival	9,617	-	-	9,617	-	-	-	-
SRAC	61,075	-	-	61,075	14,336	-	11,125	25,461
Operating	14,990	-	-	14,990	25,886	-	-	25,886
TOTAL PUBLIC SUPPORT	596,783	3,298	-	600,081	713,177	3,607	11,125	727,909
Revenue								
Interest income	755	-	-	755	1,041	-	-	1,041
Investment gain	3,879	-	-	3,879	2,339	-	-	2,339
TOTAL REVENUE	4,634	-	-	4,634	3,380	-	-	3,380

See accompanying notes.

SPRINGFIELD REGIONAL ARTS COUNCIL
 STATEMENTS OF ACTIVITIES (CONTINUED)
 Years Ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets released from restrictions								
Restrictions satisfied	35,494	(35,494)	-	-	-	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	636,911	(32,196)	-	604,715	716,557	3,607	11,125	731,289
EXPENSES								
Program Expenses								
Artsfest	40,418	-	-	40,418	41,388	-	-	41,388
First Night	25,055	-	-	25,055	24,248	-	-	24,248
First Friday Art Walk	15,822	-	-	15,822	18,477	-	-	18,477
Art Factory 417	8,564	-	-	8,564	29,607	-	-	29,607
Eclectic Endeavors	5,213	-	-	5,213	5,478	-	-	5,478
Fresh	44,482	-	-	44,482	47,747	-	-	47,747
LemonDrop	11,203	-	-	11,203	20,931	-	-	20,931
Missouri Literary Festival	50,563	-	-	50,563	14,352	-	-	14,352
Film	2,192	-	-	2,192	4,622	-	-	4,622
Arts Patronage	316	-	-	316	1,661	-	-	1,661
Arts Program-Sustainability	2,135	-	-	2,135	5,379	-	-	5,379
Blunt-Big	-	-	-	-	66,346	-	-	66,346
Event Production	53,505	-	-	53,505	54,270	-	-	54,270
Claymobile	9,903	-	-	9,903	13,842	-	-	13,842
SATO 48	1,200	-	-	1,200	2,541	-	-	2,541
CFO-Fabrication	51	-	-	51	(22)	-	-	(22)
SRAC	120,396	-	-	120,396	100,981	-	-	100,981
TOTAL PROGRAM EXPENSES	391,018	-	-	391,018	451,848	-	-	451,848
Administrative Expenses	273,939	-	285	274,224	233,513	-	-	233,513
TOTAL EXPENSES	664,957	-	285	665,242	685,361	-	-	685,361
CHANGE IN NET ASSETS	(28,046)	(32,196)	(285)	(60,527)	31,196	3,607	11,125	45,928
NET ASSETS, Beginning of year	375,898	55,719	68,505	500,122	344,702	52,112	57,380	454,194
NET ASSETS, End of year	<u>\$ 347,852</u>	<u>\$ 23,523</u>	<u>\$ 68,220</u>	<u>\$ 439,595</u>	<u>\$ 375,898</u>	<u>\$ 55,719</u>	<u>\$ 68,505</u>	<u>\$ 500,122</u>

See accompanying notes.

SPRINGFIELD REGIONAL ARTS COUNCIL
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (60,527)	\$ 45,928
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	26,436	24,203
Changes in operating assets and liabilities:		
(Increase) in receivables	(3,195)	(3,609)
Decrease in deposits	-	22
(Increase) decrease in prepaid expenses	6,466	(779)
Increase (decrease) in accounts payable	3,330	(7,675)
(Decrease) in deposits payable	(100)	(110)
Increase (decrease) in payroll withholdings payable	<u>(1,338)</u>	<u>8,513</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(28,928)	66,493
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in investments	<u>26,325</u>	<u>(15,976)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	26,325	(15,976)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(26,288)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>(26,288)</u>
NET INCREASE (DECREASE) IN CASH	(2,603)	24,229
CASH AND CASH EQUIVALENTS, Beginning of year	<u>159,532</u>	<u>135,303</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 156,929</u></u>	<u><u>\$ 159,532</u></u>

See accompanying notes.

SPRINGFIELD REGIONAL ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Springfield Regional Arts Council was established in 1978 for the purpose of fostering cultural and educational opportunities in the arts. The mission of the Council is to enrich the cultural life in the Springfield region through leadership that develops, supports and strengthens the arts and allows accessibility to all residents.

The Springfield Regional Arts Council is primarily responsible for implementing the Community Cultural Plan and is funded through memberships, donations, grants and sponsorships. The Council sponsors several festivals each year, such as *Artsfest*, which is held the first weekend in May, and *First Night* which is held on December 31.

The Springfield Regional Arts Council serves as a fiscal agent for: First Friday Art Walk, Missouri Film Alliance of Springfield, Eclectic Endeavors, Missouri Literary Festival, LemonDrop, Fresh Gallery, Claymobile, Springfield Pottery, SATO 48, and Art Factory 417.

Financial Statement Presentation

The Organization prepares financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and Subsections (formerly SFAS 117, *Financial Statements of Not-For-Profit Organizations*.) Under ASC 958-205 and Subsection, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted - Carries no donor restriction
- Temporarily restricted - Time or purpose restriction
- Permanently restricted - Permanent donor restriction

In accordance with ASC 958-205 and Subsections, all expenses are reported in the unrestricted net asset class. As restrictions are met, reclassification entries are made to move net assets from the temporarily restricted class to the unrestricted class so that expenditures may be made within that asset class.

Basis of Accounting

The Springfield Regional Arts Council maintains their financial statements in accordance with the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned and measurable. Expenditures are recognized when incurred.

SPRINGFIELD REGIONAL ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

All property and equipment held by the Organization is stated at cost. Any donated assets are recorded at their estimated fair value in the unrestricted net asset class. All purchases of long-lived assets with cost greater than \$500 are charged to fixed assets, and depreciation is computed on a straight-line basis over the useful life of the asset.

Contributions

The Organization follows FASB Accounting Standards Codification (ASC) 958-605-25 (formerly SFAS 116, *Accounting for Contributions Made*). In accordance with ASC 958-605-25, all contributions received are recorded as unrestricted or temporarily restricted, depending on the existence and/or nature of donor or other restrictions.

Functional Expenses

The Organization allocates its expenses to programs. Expenses that can be identified with a specific program are allocated directly to their natural expense classification. Expenses that benefit multiple programs are allocated to the programs by various statistical bases. The principal programs of the Springfield Regional Arts Council are as separately listed on the Statement of Activities.

Donated Services

ASC 958-605-25 defines the criteria for the inclusion of donated services within the financial statements as those requiring technical expertise that would be purchased if not donated. The Organization did not have services donated during the year ended June 30, 2012.

Compensated Absences

The Springfield Regional Arts Council does not reimburse employees for unused vacation or sick leave remaining at year-end.

Cash and cash equivalents

For purposes of the statement of cash flows, all short-term investments with original maturities of three months or less at the financial statement date are considered cash equivalents.

SPRINGFIELD REGIONAL ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

Information contained in these financial statements reflects estimates made by management. Actual results could differ from these estimates, and these differences may be material.

Advertising

Advertising costs are expensed as incurred.

Income Taxes

The Organization adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income taxes* [“FIN 48”]) on June 30, 2009. Under FIN 48, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FIN 48 had no impact on the Organization’s financial statements. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the years ended June 30, 2012 and 2011, there were no interest or penalties recorded in its financial statements.

Subsequent Events

Management has evaluated subsequent events through December 18, 2012, the date the financial statements were available to be issued.

NOTE B – RESTRICTIONS ON ASSETS

Cash and cash equivalents have been restricted in the amount of \$23,523 for temporarily restricted funds.

SPRINGFIELD REGIONAL ARTS COUNCIL
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE B – RESTRICTIONS ON ASSETS (continued)

Temporarily Restricted

Temporarily restricted net assets at June 30, 2012 and 2011, are as follows:

	2012	2011
Arts Patronage	\$ -	\$ 316
Arts Programing Sustainability	277	(86)
Baird Funds	13	13
Art Factory 417	-	3,015
First Friday Art Walk	-	8,681
Virtual GOAT	1,869	1,869
CFO MFAS Endowment	570	570
Fresh	3,810	2,830
Eclectic Endeavors	76	19
MFAS	12,516	11,017
Teen Writing Workshop	-	(60)
Lemon Drop	546	206
Missouri Literary Festival	5,199	26,193
Claymobile	(3,022)	(1,334)
Movies at Founders	921	921
CFO Scholarship	500	500
CFO Costume	(348)	(348)
CFO Fabrication	596	647
SATO 48 Hour Challenge	-	750
	<u>\$ 23,523</u>	<u>\$ 55,719</u>

Permanently Restricted - The Organization holds permanently restricted funds in the form of a checking account at Community Foundation, Inc. The funds are permanently restricted by the donor with the investment income used to provide funds for operations of the Council. The investments at June 30, 2012 and 2011, totaled \$68,220 and \$68,505, respectively.

SPRINGFIELD REGIONAL ARTS COUNCIL
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2012

NOTE C – INVESTMENTS

Investments consist of accounts held at Community Foundation, Inc. The accounts are recorded at fair value on a recurring basis during the years ended June 30, 2012 and 2011, using quoted prices in active markets. During the years ended June 30, 2012 and 2011, realized investment gain totaled \$1,995 and \$694, respectively, unrealized gain (loss) totaled \$(4,951) and \$9,104, respectively, and consisted entirely of the change in market value of the investments.

Investments at June 30, 2012 and 2011, consisted of the following:

	Quoted Prices in Active Markets For Identical Assets	
	2012	2011
Capacity Building Fund	\$ 122,641	\$ 161,176
Creamery Arts Endowment	12,439	-
Cultural Trust Endowment	68,220	68,505
MFAS Endowment	3,139	3,083
	<u>\$ 206,439</u>	<u>\$ 232,764</u>

SFAS No. 157, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identified assets and have the highest priority, Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets, Level 3 assets have the lowest priority. For the year ended June 30, 2012, the Organization had no Level 2 or 3 investments.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, or estimated historical cost, and is written off on a straight-line basis over the useful lives. Historical cost as well as accumulated depreciation as of June 30, 2012, is as listed below:

Description	June 30,	
	2012	2011
Equipment and furniture	\$ 218,146	\$ 218,146
Less: Accumulated depreciation	(140,346)	(113,910)
TOTAL FIXED ASSETS, NET	<u>\$ 77,800</u>	<u>\$ 104,236</u>

SPRINGFIELD REGIONAL ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE E – RECEIVABLES

Receivables consist of funds due from the City of Springfield and various exhibitors totaling \$12,469 and \$9,274 for 2012 and 2011, respectively.

NOTE F – LEASE COMMITMENTS

The Council conducts its operations from a building that is leased under an operating lease agreement with the City of Springfield, Missouri at an annual rate of \$10. The lease has options to renew for additional periods beyond the current lease period.

The Council entered into a contract with Springfield Symphony Association, Inc. to sublease space at the Creamery Arts Center. Springfield Symphony Association, Inc. will provide annual rent of \$10 to the Council on July 1 of each year. The lease has options to renew for additional periods beyond the current lease period.

The Council entered into a contract with Springfield Regional Opera, Inc. to sublease space at the Creamery Arts Center. Springfield Opera, Inc. will provide annual rent of \$10 to the Council on July 1 of each year. The lease has options to renew for additional periods beyond the current lease period.

The Council entered into a contract with Springfield Ballet, Inc. to sublease space at the Creamery Arts Center. Springfield Ballet, Inc. will provide annual rent of \$10 to the Council on July 1 of each year. The lease has options to renew for additional periods beyond the current lease period.

SUPPLEMENTARY INFORMATION

SPRINGFIELD REGIONAL ARTS COUNCIL
SCHEDULE OF ADMINISTRATIVE EXPENSES
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Salaries	\$ 82,900	\$ 84,826
Employee benefits	20,879	20,415
Contract labor	56,700	38,493
Instructors and performers	50	-
Advertising	1,860	2,018
Accounting	10,465	10,000
Cleaning and maintenance	6,253	8,288
Dues	-	894
Fees	10	10
Depreciation	26,436	12,101
Repairs	4,689	6,484
Food supplies	330	1,030
Business insurance	6,229	6,397
Gifts and awards	651	419
Website	1,827	598
Mileage	1,266	958
Supplies and materials	12,226	7,682
Postage	1,461	1,286
Printing and copies	2,668	504
Utilities	22,572	20,547
Publications	1,305	1,241
Telephone	3,051	3,006
Travel and training	6,328	3,511
Miscellaneous	4,068	2,805
	<u>\$ 274,224</u>	<u>\$ 233,513</u>