

Financial Statements and Supplementary Information

ATLANTIC CENTER FOR THE ARTS, INC.

December 31, 2010

ATLANTIC CENTER FOR THE ARTS, INC.
Financial Statements and Supplementary Information
December 31, 2010
(With Independent Auditors' Report Thereon)

ATLANTIC CENTER FOR THE ARTS, INC.

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Independent Auditors' Report

To the Board of Trustees
Atlantic Center For The Arts, Inc.:

We have audited the accompanying statement of financial position of the Atlantic Center For The Arts, Inc. (the Center) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. 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 audit provides 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 Atlantic Center For The Arts, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2011 on our consideration of Atlantic Center For The Arts, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Center taken as a whole. The accompanying schedule of Federal and state financial assistance on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Schaefer, Tschoy, Whitcomb, Mitchell & Shuiken, LLP

Altamonte Springs, Florida
March 2, 2011

ATLANTIC CENTER FOR THE ARTS, INC.

Statement of Financial Position

December 31, 2010

Assets

| | |
|--------------------------------------|---------------------|
| Cash and cash equivalents | \$ 69,885 |
| Account receivable | 1,851 |
| Grant receivable | 106,955 |
| Due from related party (note 7) | 15,790 |
| Inventory | 31,277 |
| Prepaid expenses and other assets | 12,127 |
| Investments (notes 2 and 5) | 2,739,274 |
| Property and equipment, net (note 3) | <u>5,828,181</u> |
| Total assets | <u>\$ 8,805,340</u> |

Liabilities and Net Assets

| | |
|---|---------------------|
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 96,509 |
| Accrued payroll taxes | 4,170 |
| Accrued interest | 15,804 |
| Deferred revenues | 125,315 |
| Line of credit (note 5) | <u>951,053</u> |
| Total liabilities | 1,192,851 |
| Net assets (note 4): | |
| Unrestricted: | |
| Undesignated | (675,739) |
| Designated | 8,866 |
| Investment in property and equipment, net | <u>5,828,181</u> |
| Total unrestricted net assets | 5,161,308 |
| Permanently restricted | <u>2,451,181</u> |
| Total net assets | <u>7,612,489</u> |
| Total liabilities and net assets | <u>\$ 8,805,340</u> |

See accompanying notes to financial statements.

ATLANTIC CENTER FOR THE ARTS, INC.

Statement of Activities

Year ended December 31, 2010

| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--------------------------------------|---------------------|-----------------------------------|---------------------|
| Operating support and revenues: | | | |
| Support: | | | |
| Grants: | | | |
| Governmental | \$ 222,704 | - | 222,704 |
| Foundations | 52,346 | - | 52,346 |
| Contributions and bequests | 130,451 | - | 130,451 |
| Fund raising and special events | 133,022 | - | 133,022 |
| Less costs of donor benefits | <u>(80,973)</u> | <u>-</u> | <u>(80,973)</u> |
| Total support | <u>457,550</u> | <u>-</u> | <u>457,550</u> |
| Revenues: | | | |
| Contract services | 166,662 | - | 166,662 |
| Program fees | 97,741 | - | 97,741 |
| Investment income, net | (73,544) | - | (73,544) |
| Gallery and gift shop sales, net | 2,742 | - | 2,742 |
| Rental income, net | 44,776 | - | 44,776 |
| Other income | <u>2,658</u> | <u>-</u> | <u>2,658</u> |
| Total revenues | <u>241,035</u> | <u>-</u> | <u>241,035</u> |
| Total operating support and revenues | <u>698,585</u> | <u>-</u> | <u>698,585</u> |
| Expenses: | | | |
| Program services: | | | |
| Master artist in residence | 466,937 | - | 466,937 |
| Community arts | <u>214,047</u> | <u>-</u> | <u>214,047</u> |
| Total program services | <u>680,984</u> | <u>-</u> | <u>680,984</u> |
| Supporting services: | | | |
| General administration | 596,142 | - | 596,142 |
| Fund raising and special events | <u>140,297</u> | <u>-</u> | <u>140,297</u> |
| Total expenses | <u>1,417,423</u> | <u>-</u> | <u>1,417,423</u> |
| Change in net assets from operations | (718,838) | - | (718,838) |
| Other: | | | |
| Net unrealized gains on investments | <u>317,430</u> | <u>-</u> | <u>317,430</u> |
| Change in net assets | (401,408) | - | (401,408) |
| Net assets, beginning of year | <u>5,562,716</u> | <u>2,451,181</u> | <u>8,013,897</u> |
| Net assets, end of year | <u>\$ 5,161,308</u> | <u>\$ 2,451,181</u> | <u>\$ 7,612,489</u> |

See accompanying notes to financial statements.

ATLANTIC CENTER FOR THE ARTS, INC.

Statement of Cash Flows

Year ended December 31, 2010

| | |
|--|-------------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ (401,408) |
| Adjustments to reconcile change in net assets to net cash used in by operating activities: | |
| Loss on sale of investments | 187,855 |
| Unrealized gain on investments | (317,430) |
| Depreciation | 249,659 |
| Interest expense accrued on line of credit | 27,056 |
| Cash provided by (used for) changes in: | |
| Accounts receivable | 1,718 |
| Grants receivable | (55,162) |
| Due from related party | (11,497) |
| Inventory | (2,107) |
| Prepaid expenses | 17,493 |
| Accounts payable and accrued expenses | (721) |
| Accrual payroll taxes | (291,971) |
| Accrued interest | 804 |
| Deferred revenue | 22,662 |
| Net cash used in operating activities | <u>(573,049)</u> |
| Cash flows from investing activities: | |
| Investments purchased, sold, or matured, net | 280,709 |
| Investment in property and equipment | <u>(12,823)</u> |
| Net cash provided by investing activities | <u>267,886</u> |
| Cash flows from financing activities: | |
| Proceeds from line of credit | <u>293,699</u> |
| Net cash provided by financing activities | <u>293,699</u> |
| Net increase in cash and cash equivalents | (11,464) |
| Cash and cash equivalents, beginning of year | <u>81,349</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 69,885</u></u> |
| Supplemental disclosure of cash flow information: | |
| Cash paid during the year for interest | <u><u>\$ 5,082</u></u> |
| Supplemental disclosure of non-cash financing activities: | |
| Interest expense incurred on line of credit and accrued thereon | <u><u>\$ 27,056</u></u> |

See accompanying notes to financial statements.

ATLANTIC CENTER FOR THE ARTS, INC.

Notes to Financial Statements

December 31, 2010

(1) Organization and Summary of Significant Accounting Policies

- (a) *Organization and Operations*** - Atlantic Center For The Arts, Inc. (The Center) is a not-for-profit, tax-exempt corporation organized under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Center provides for and promotes the arts and humanities in all forms, including the visual and performing arts and cultural education through instruction by master artists in residence and other community arts programs. The Center operates in New Smyrna Beach, Florida. The Center also operates another entity called Images: A Festival of the Arts, Inc. (“Images” and henceforth referred to collectively herewith Atlantic Center for the Arts, Inc. as the “Center”), which is also a not-for-profit, tax-exempt corporation organized under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The management of the Center operates the annual art festival (Festival) in New Smyrna Beach, FL, which is governed by the Center’s board of trustees. Financial activity for the Festival is consolidated with that of the Center.
- (b) *Basis of Presentation*** - The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of The Center.

These financial statements are prepared on an entity-wide basis, focusing on The Center as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by aggregating all funds into one set of financial statements and classifying fund balances and transactions into three classes of net assets - permanently restricted, temporarily restricted or unrestricted as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by The Center.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Center and/or the passage of time. Donor-restricted contributions whose restrictions are met in the same year are reported as unrestricted support in the accompanying statement of activities.

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. The Center reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

(Continued)

ATLANTIC CENTER FOR THE ARTS, INC.

Notes to Financial Statements

December 31, 2010

(1) Organization and Summary of Significant Accounting Policies (Continued)

(b) *Basis of Presentation (Continued)*

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

- (c) *Contributions*** - The Center reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

The Center reports gifts of property, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service and/or construction costs have been incurred.

- (d) *Contributed Services*** - During the year ended December 31, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

- (e) *Cash and Cash Equivalents*** - Except for permanently restricted net assets and assets restricted to investment in land, building, and other capital projects, the Center considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(Continued)

ATLANTIC CENTER FOR THE ARTS, INC.

Notes to Financial Statements

December 31, 2010

(1) Organization and Summary of Significant Accounting Policies (Continued)

- (f) *Inventory*** - Inventory consists of gift shop merchandise, linen supplies, and art books. Inventory is stated at lower of cost (determined by specific identification if purchased and by fair value at the date of donation if donated) or market.
- (g) *Investments*** - Investments are stated at fair value. To calculate realized gain or loss on the disposition of investments, cost is determined by the first-in, first-out method for common stock funds and by specific identification for all other investments. All gains and losses arising from the sale or other disposition of investments and ordinary income from investments are accounted for as unrestricted revenue unless such income is restricted for a specific purpose by the donor of the related investment.
- (h) *Property and Equipment*** - The Center capitalizes all expenditures over \$1,000 for property and equipment acquisitions. The fair value of donated assets is similarly capitalized and recognized as support.

Land, land improvements, and artwork are stated at cost for purchased assets and at fair value at date of donation for donated assets. Buildings and building improvements, furniture, fixtures and equipment, and vehicles are stated at cost for purchased assets and at fair value for donated assets less accumulated depreciation. Depreciation is calculated using the straight-line method over the following estimated useful lives:

| | |
|-------------------------------------|--------------|
| Buildings and building improvements | 3 – 30 years |
| Furniture, fixtures and equipment | 3 – 10 years |
| Vehicles | 5 years |

- (i) *Commitment, Contingencies and Concentrations*** - Financial instruments which potentially expose the Center to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist of cash and cash equivalents (primarily demand deposits), investments in United States government securities, and investments in short-term cash funds. Substantially all of the cash and cash equivalent accounts and short-term cash funds are on deposit or held in trust at high quality financial institutions, which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Center has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk with respect to its cash and cash equivalents.

(Continued)

ATLANTIC CENTER FOR THE ARTS, INC.

Notes to Financial Statements

December 31, 2010

(1) Organization and Summary of Significant Accounting Policies (Continued)

- (j) *Functional Allocation of Expenses*** - The costs of providing the various programs and other activities of the Center 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.
- (k) *Estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (l) *Income Taxes*** - Under Section 501(c)(3) of the Internal Revenue Code and Florida Statutes, the Center is exempt from taxes on income other than unrelated business income. Since the Center had no taxable unrelated business income during 2010, no provision for income taxes is provided in the financial statements.
- (m) *Reclassifications*** - Certain amounts in the 2009 financial statements have been reclassified to conform with 2010 financial statement format.
- (n) *Revenue Recognition*** - The Center rents portions of its facilities to unaffiliated individuals and organizations on a short-term day-to-day basis. Revenue from these activities are recognized when the event takes place.
- (o) *Subsequent Events*** - In preparing these financial statements, the Center has evaluated subsequent events and transactions for potential recognition and disclosure through March 2, 2011, which is the date the financial statements were available to be issued.

ATLANTIC CENTER FOR THE ARTS, INC.

Notes to Financial Statements

December 31, 2010

(2) Investments

The Center maintains an investment portfolio that includes holdings for an endowment fund and a capital projects fund, as well as in unrestricted investments. These investments are stated at fair value.

The Center follows the accounting standards for fair value measurement, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements of assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis.

Fair value is defined under “Fair Value Measurements and Disclosures,” FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3: inputs that are unobservable (for example, cash flow modeling based on assumptions)

The Center did not change its valuation techniques during the year and continues to use Level 1 inputs to measure the fair value of its investments.

(Continued)

ATLANTIC CENTER FOR THE ARTS, INC.

Notes to Financial Statements

December 31, 2010

(2) Investments (Continued)

The following table summarizes the valuation of the Center's financial assets measured at fair value on a recurring basis as of December 31, 2010, based on the level of input utilized to measure fair value:

| | <u>Cost</u> | <u>Market Value</u> | <u>Gross Unrealized Gain (Loss)</u> |
|---|---------------------|---------------------|-------------------------------------|
| Unrestricted investments: | | | |
| Money market funds | \$ 45,945 | 45,945 | - |
| Common stocks and options | 52,047 | 56,186 | 4,139 |
| Exchange traded and closed-end funds | 423,537 | 277,596 | (145,941) |
| Preferred stocks | 54,097 | 53,958 | (139) |
| | <u>\$ 575,626</u> | <u>433,685</u> | <u>(141,941)</u> |
| Unrestricted investments designated for capital projects: | | | |
| Money market funds | \$ 8,866 | 8,866 | - |
| Investments restricted to permanent endowments: | | | |
| Money market funds | \$ 337,449 | 337,449 | - |
| Common stocks and options | 671,723 | 757,464 | 85,741 |
| Closed end funds | 730,256 | 586,242 | (144,015) |
| Preferred stock | 465,345 | 545,178 | 79,833 |
| Corporate bonds | 62,100 | 70,391 | 8,291 |
| | <u>2,266,873</u> | <u>2,296,723</u> | <u>29,850</u> |
| Total | <u>\$ 2,851,365</u> | <u>2,739,274</u> | <u>(112,091)</u> |

ATLANTIC CENTER FOR THE ARTS, INC.

Notes to Financial Statements

December 31, 2010

(3) Property and Equipment

Property and equipment consist of the following at December 31, 2010:

| | |
|-------------------------------------|---------------------|
| Land and land improvements | \$ 1,029,241 |
| Buildings and building improvements | 7,804,556 |
| Furniture, fixtures, and equipment | 319,431 |
| Vehicles | 24,312 |
| | <hr/> |
| | 9,177,540 |
| Less: accumulated depreciation | (3,705,282) |
| | <hr/> |
| | 5,472,258 |
| Artwork | 343,100 |
| Construction-in-progress | 12,823 |
| | <hr/> |
| Property and equipment, net | <u>\$ 5,828,181</u> |

Depreciation expense for the year ended December 31, 2010 was \$249,659.

(4) Permanently Restricted Net Assets

Permanently restricted net assets are restricted as follows at December 31, 2010:

| | |
|--|---------------------|
| Investment in perpetuity, the income from which is expendable to support: | |
| Harris House activities | \$ 29,850 |
| Program activities | 1,854,647 |
| Master artist - writers | 450,000 |
| Artwork | 116,684 |
| | <hr/> |
| Total permanently restricted net assets | <u>\$ 2,451,181</u> |

(Continued)

ATLANTIC CENTER FOR THE ARTS, INC.

Notes to Financial Statements

December 31, 2010

(4) Permanently Restricted Net Assets (Continued)

Permanently restricted net assets include various endowments established to support the Center's activities. Three of the endowment accounts were established through the State of Florida endowment program. The State of Florida has provided three grants totaling \$720,000. The Center matched these with contributions totaling \$1,080,000. The income from these endowments can only be used to support program activities. The value of the three state funded endowments shall be maintained at no less than \$1,800,000 at all times. Failure of the Center to adhere to these provisions could result in termination of the State's grant and reversion of the principal to the grantor agency.

(5) Line of Credit

The Center has a \$1,000,000 unsecured line of credit with a bank with interest payable monthly at the bank's prime rate less 1.0%. As of December 31, 2009, \$951,053 was outstanding under this line of credit, collateralized by the Center's investments held by the same financial institution.

(6) Retirement

The Center has a retirement plan pursuant to Section 403(b) of the Internal Revenue Code, whereby participants may contribute a percentage of compensation, but not in excess of the maximum amount allowed under the Code. The plan provides for a discretionary matching contribution by the Center; however, no contributions were made or pledged for the year ended December 31, 2010.

(7) Related Party Transactions

On January 1, 1999, a corporation owned by a member of the Board of Trustees and the Center's founder donated a building and various equipment with a fair market value at the date of donation of \$303,515 to the Center.

In addition, the corporation provided all the funds necessary to renovate the building to accommodate the Center. The Center agreed to allow the corporation to retain the right to share the building with the Center to operate a commercial art gallery for a period of two years beginning February 1, 1999, with the corporation retaining an option to continue using the space for each of the following three years.

(Continued)

ATLANTIC CENTER FOR THE ARTS, INC.

Notes to Financial Statements

December 31, 2010

(7) Related Party Transactions (Continued)

The Center provides minimal bookkeeping services at no charge to the art gallery. Operating expenses of the art gallery are initially paid by the Center, and the art gallery reimburses the Center on a monthly basis. Expenses relating to the maintenance and operation of the building are divided between the art gallery and the Center based on occupancy percentages. At December 31, 2010, the art gallery owed the Center \$15,790 in connection with this agreement, which is recorded as due from related party at December 31, 2010.

During the year ended December 31, 2004, the Board of Trustees of the Center entered into an agreement with Images: A Festival of the Arts, Inc., a not for profit corporation (Images). The Center's board agreed to carry out the mission of Images by serving as its Board of Directors. In addition, the Center agreed to manage the operations of the entity. As the entities share the same board of trustees, management considers the two entities financially inter-related and is therefore consolidated into the financial statements of the Center.

(8) Employee Theft

In September 2010, management discovered that the Center had suffered losses as a result of an embezzlement by an employee who had access to financial records and systems. Upon discovery, the Center performed a full investigation, which identified total losses resulting from the embezzlement of approximately \$48,826 in 2010. Management is vigorously pursuing all measures to prosecute the former employee and recover all resources through an insurance claim and other measures. No receivable has been recorded for the estimated recovery of the theft.

SUPPLEMENTARY INFORMATION

ATLANTIC CENTER FOR THE ARTS, INC.

Schedule of Federal, State, and County Financial Assistance

Year ended December 31, 2010

| <u>State of Florida Grantor Program Title</u> | <u>CFDA No.</u> | <u>Grant Number</u> | <u>Funding Period</u> | <u>Total Grant Award</u> | <u>2010 Receipts</u> |
|--|---------------------|-------------------------|---------------------------|----------------------------------|--------------------------|
| Federal Awards: | | | | | |
| National Endowment for the Arts (ARRA) | 45.024 | 09-7288-7005 | 07/01/09- 06/30/10 | 50,000 | \$ 35,477 |
| National Endowment for the Arts | 45.024 | 10-7200-7013 | 1/1/10- 12/31/10 | 30,000 | 30,000 |
| National Endowment for the Arts | 45.024 | 11-7200-7013 | 1/1/11- 12/31/11 | 40,000 | - |
| Total Federal Awards | | | | | <u>\$ 65,477</u> |
| State of Florida, Department of State- Division of Cultural Affairs | | | | | |
| General program support | | 09-6088 | 1/1/09- 6/30/10 | 6,494 | \$ 3,247 |
| General program support | | 11.6.0160 | 7/1/10- 6/30/11 | 6,167 | <u>3,082</u> |
| Total State Awards | | | | | <u>\$ 6,329</u> |
| County of Volusia Parks, Recreation, & Culture Division | | | | | |
| Cultural institutions program | | ATC03930000 | 7/1/10 - 06/30/11 | \$ 69,890 | \$ 17,473 |
| Cultural institutions program Images: A Festival of the Arts, Inc. | | 99040900030 | 7/1/10 - 06/30/11 | \$ 15,269 | <u>3,817</u> |
| Total State Awards | | | | | <u>\$ 21,290</u> |

See accompanying notes to financial statements.

**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees
Atlantic Center For The Arts, Inc.:

We have audited the financial statements of Atlantic Center For The Arts, Inc. (the Center) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*. At December 31, 2010, the fair value of the investments in two endowment funds was below the level required by donor stipulations.

However, we noted certain additional matters that we have reported to management of the Center in a separate letter dated March 2, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, the State of Florida, Department of State - Division of Cultural Affairs and other agencies providing state financial assistance and is not intended to be and should not be used by anyone other than these specified parties.

Schaefer, Tschoy, Whitcomb, Mitchell & Shuiken, LLP

Altamonte Springs, Florida
March 2, 2011