

**INFINITY VISUAL
AND PERFORMING ARTS, INC.**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
AUGUST 31, 2017 AND 2016**

INFINITY VISUAL AND PERFORMING ARTS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Infinity Visual and Performing Arts, Inc.

We have audited the accompanying financial statements of Infinity Visual and Performing Arts, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2017 and 2016, and the related statements of activities and cash flows for the year 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 accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Infinity Visual and Performing Arts, Inc. as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Saxton, Kocur and Associates, LLP

Saxton, Kocur and Associates, LLP
Jamestown, NY
January 3, 2018

INFINITY VISUAL AND PERFORMING ARTS, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 42,902	\$ 51,498
Grants receivable	17,500	-
Contract receivables	1,520	-
Student receivables	1,352	1,826
Prepaid expenses	2,777	2,759
Total current assets	66,051	56,083
PROPERTY AND EQUIPMENT, net of accumulated depreciation	259,688	265,220
TOTAL ASSETS	\$ 325,739	\$ 321,303

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable, credit card	\$ 1,616	\$ 2,485
Accounts payable	1,152	819
Accrued expenses	14,798	14,640
Total current liabilities	17,566	17,944
NET ASSETS		
Unrestricted	280,778	292,735
Temporarily restricted	27,395	10,624
Total net assets	308,173	303,359
TOTAL LIABILITIES AND NET ASSETS	\$ 325,739	\$ 321,303

The accompanying notes are an integral part of these financial statements.

INFINITY VISUAL AND PERFORMING ARTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants	\$ 179,204	\$ 62,500	\$ 241,704
Program fees	188,824	-	188,824
Contracted income	32,117	-	32,117
Contributions	17,792	-	17,792
Special events, less direct expenses of \$6,848	28,464	-	28,464
Performance income	400	-	400
Rental Income	6,775	-	6,775
Miscellaneous Income	6,037	-	6,037
	<u>459,613</u>	<u>62,500</u>	<u>522,113</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	45,729	(45,729)	-
	<u>505,342</u>	<u>16,771</u>	<u>522,113</u>
EXPENSES			
Program services	413,236	-	413,236
Management and general	84,985	-	84,985
Fundraising	19,078	-	19,078
	<u>517,299</u>	<u>-</u>	<u>517,299</u>
CHANGE IN NET ASSETS	(11,957)	16,771	4,814
NET ASSETS AT BEGINNING OF YEAR	<u>292,735</u>	<u>10,624</u>	<u>303,359</u>
NET ASSETS AT END OF YEAR	<u>\$ 280,778</u>	<u>\$ 27,395</u>	<u>\$ 308,173</u>

	2016		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants	\$ 142,352	\$ 45,806	\$ 188,158
Program fees	184,311	-	184,311
Contracted income	53,275	-	53,275
Contributions	36,277	-	36,277
Special events, less direct expenses of \$5,551	26,433	-	26,433
Performance income	3,678	-	3,678
Rental Income	4,919	-	4,919
Miscellaneous Income	-	-	-
	<u>451,245</u>	<u>45,806</u>	<u>497,051</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	48,116	(48,116)	-
	<u>499,361</u>	<u>(2,310)</u>	<u>497,051</u>
EXPENSES			
Program services	398,459	-	398,459
Management and general	77,765	-	77,765
Fundraising	18,157	-	18,157
	<u>494,381</u>	<u>-</u>	<u>494,381</u>
CHANGE IN NET ASSETS	4,980	(2,310)	2,670
NET ASSETS AT BEGINNING OF YEAR, as restated	<u>287,755</u>	<u>12,934</u>	<u>300,689</u>
NET ASSETS AT END OF YEAR	<u>\$ 292,735</u>	<u>\$ 10,624</u>	<u>\$ 303,359</u>

The accompanying notes are an integral part of these financial statements.

INFINITY VISUAL AND PERFORMING ARTS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 106,665	\$ 54,749	\$ 16,186	\$ 177,600
Instructors' wages	169,086	-	-	169,086
Building rent	38,646	2,034	-	40,680
Insurance - health	16,656	8,914	1,476	27,046
Payroll taxes	20,877	4,145	1,226	26,248
Equipment and supplies	16,630	-	-	16,630
Depreciation expense	14,583	1,749	190	16,522
Professional fees	-	10,031	-	10,031
Contract labor	8,195	-	-	8,195
Insurance - general	5,595	294	-	5,889
Programming supplies	3,585	-	-	3,585
Seminars and training	3,165	-	-	3,165
Advertising	2,916	-	-	2,916
Bank charges	-	2,821	-	2,821
Facility repairs	2,337	123	-	2,460
Printing and reproduction	1,410	-	-	1,410
Facility rental	1,169	-	-	1,169
Travel	933	-	-	933
Miscellaneous	788	-	-	788
Filing fees	-	125	-	125
Membership dues	-	-	-	-
	<u>\$ 413,236</u>	<u>\$ 84,985</u>	<u>\$ 19,078</u>	<u>\$ 517,299</u>

2016				
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 91,668	\$ 49,589	\$ 15,216	\$ 156,473
Instructors' wages	171,284	-	-	171,284
Building rent	38,254	2,013	-	40,267
Insurance - health	11,206	9,066	1,603	21,875
Payroll taxes	20,035	3,778	1,160	24,973
Equipment and supplies	15,122	-	-	15,122
Depreciation expense	15,253	1,646	178	17,077
Professional fees	-	9,286	-	9,286
Contract labor	4,300	-	-	4,300
Insurance - general	5,355	282	-	5,637
Programming supplies	6,438	-	-	6,438
Seminars and training	3,032	-	-	3,032
Advertising	4,304	-	-	4,304
Bank charges	-	1,879	-	1,879
Facility repairs	1,924	101	-	2,025
Printing and reproduction	2,002	-	-	2,002
Facility rental	1,058	-	-	1,058
Travel	1,487	-	-	1,487
Miscellaneous	4,815	-	-	4,815
Filing fees	-	125	-	125
Membership dues	922	-	-	922
	<u>\$ 398,459</u>	<u>\$ 77,765</u>	<u>\$ 18,157</u>	<u>\$ 494,381</u>

The accompanying notes are an integral part of these financial statements.

INFINITY VISUAL AND PERFORMING ARTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,814	\$ 2,670
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	16,522	17,077
(Increase) decrease in:		
Grants receivable	(17,500)	-
Contract receivable	(1,520)	-
Accounts receivable	474	(353)
Prepaid expenses	(18)	(152)
Increase (decrease) in:		
Accounts payable - credit card	(869)	139
Accounts payable	333	(28,474)
Accrued expenses	158	(1,052)
	2,394	(10,145)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	2,394	(10,145)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(10,990)	(22,704)
	(10,990)	(22,704)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,596)	(32,849)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	51,498	84,347
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 42,902	\$ 51,498

The accompanying notes are an integral part of these financial statements.

INFINITY VISUAL AND PERFORMING ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES – Infinity Visual and Performing Arts, Inc. is a nonprofit organization created in 2005 which is governed by a volunteer board of directors. Infinity Visual and Performing Arts, Inc. provides access to the performing arts through access to music and art enrichment activities for youth in Chautauqua County, New York. The Organization derives its operating revenue from local school districts and governments, program fees, and contributions from foundations, organizations, and individuals.

BASIS OF ACCOUNTING - The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities for the years ending August 31, 2017 and 2016.

CHANGE IN BASIS OF ACCOUNTING - Effective September 1, 2015, the Organization changed its method of accounting from the cash to the accrual method and, as of that date, recognizes revenue when earned rather than when cash is received and recognizes expenses when they are incurred rather than when cash is disbursed.

CASH EQUIVALENTS - For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, payment of long-term debt, or endowment.

STUDENT RECEIVABLES - Student receivables consist of fees receivable from students. Past due accounts are charged a \$5 fee. Management evaluates the need to write off a receivable based on its review of the aging of the balances and historical collection experience, and management writes off a receivable when it is probable that the receivable is worthless. If accounts previously written off are collected, the payments are recorded as reductions in bad debt expense. As of August 31, 2017, management has determined that all amounts are collectible and no allowance for doubtful accounts is necessary.

CONTRACT RECEIVABLES - Contract receivables represent amounts that have been billed under agency contracts, but have not been collected as of the date of the financial statements. Contract receivables are stated at the amount management expects to be collected from the outstanding balance. As of August 31, 2017, management has determined that all amounts are fully collected and no allowance for doubtful accounts is necessary.

GRANT RECEIVABLE - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporary or permanently restricted net assets depending on the nature of the restrictions. As of August 31, 2017, management has determined that the grant receivable is fully collectible and no allowance for doubtful accounts is necessary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

PROPERTY AND EQUIPMENT - All acquisitions of property and equipment in excess of \$1,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives, ranging from five to thirty-nine years. Depreciation expense was \$16,522 and \$17,077 for the years ended August 31, 2017 and 2016, respectively.

INCOME TAXES - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from New York State income taxes under Article 7A of the Executive law. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Internal Revenue Code. The Organization files exempt organization returns with U.S. federal and New York State jurisdictions. The Organization's returns prior to 2014 are closed.

BASIS OF PRESENTATION - The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

RESTRICTED AND UNRESTRICTED REVENUE - Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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.

ADVERTISING - The Organization uses advertising to promote its programs among the people it serves. The costs of advertising are expensed as incurred. Advertising expense was \$2,916 and \$4,304 for the years ended August 31, 2017 and 2016, respectively.

FAIR VALUE- The fair value of the Organization's financial instruments approximate their carrying values due to the short-term nature of maturities and expected collection or payment periods or because the terms are similar to market terms.

USE OF ESTIMATES – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

DATE OF MANAGEMENT'S REVIEW - The Organization has evaluated subsequent events through January 3, 2018, the date on which the financial statements were available to be issued.

NOTE 2 - STATEMENTS OF CASH FLOWS

For purposes of the statements of cash flows, the Organization considers its deposits in the bank as cash. No cash was paid for interest during the year ended August 31, 2017.

NOTE 3 - PROPERTY AND EQUIPMENT

Equipment and improvements consisted of the following:	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 241,471	\$ 241,471
Musical equipment	190,355	179,365
Office equipment	20,090	20,090
Equipment	10,634	10,634
Software	3,588	3,588
	<u>466,138</u>	<u>455,148</u>
Less accumulated depreciation	<u>206,450</u>	<u>189,928</u>
	<u>\$ 259,688</u>	<u>\$ 265,220</u>

NOTE 4 - LINE OF CREDIT

The Organization has a \$25,000 line of credit. There was no balance at August 31, 2017 or 2016, nor was the line used during the current year. Bank advances on the line of credit are payable on demand and carry a variable interest rate.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for scholarships for students in the amounts of \$27,395 and \$10,624 at August 31, 2017 and 2016, respectively.

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 10,624	\$ 12,934
Grants received	62,500	45,806
Scholarships awarded	(38,979)	(41,245)
Administrative fees	(6,750)	(6,871)
	<u>27,395</u>	<u>10,624</u>
Ending balance	<u>\$ 27,395</u>	<u>\$ 10,624</u>

NOTE 6 - LEASES

Beginning October 1, 2014, the Organization has a ten-year operating lease with Lynn Development, Inc. which ends on December 31, 2024. There are options to renew the lease for two additional five year terms.

Future minimum lease payments under the operating lease for the next five years are:

Years Ending August 31,	Amount
2018	\$ 41,076
2019	41,487
2020	41,903
2021	42,321
2022	42,744
	<u>\$ 209,531</u>

There will be a 1% increase of the lease rate on January 1st of each new year of the lease.

NOTE 7 - CHANGE IN BASIS OF ACCOUNTING

Effective September 1, 2015, the Organization changed its method of accounting from the cash to the accrual method. The change was applied retrospectively through an adjustment of unrestricted net assets and resulted in a decrease of \$12,337 in beginning net assets at August 31, 2015.

Original Unrestricted Net Assets, 08/31/15	\$ 300,092
Less: decrease in net assets due to change	<u>(12,337)</u>
Restated Unrestricted Net Assets, 08/31/15	<u>\$ 287,755</u>

NOTE 8 - FISCAL YEAR CHANGE

Effective for the fiscal year beginning January 1, 2015, the Organization changed from a calendar year-end of December 31 to a fiscal year-end of August 31. An eight-month fiscal transition period from January 1, 2015 through August 31, 2015 preceded the start of the new fiscal year cycle ended August 31, 2016.

NOTE 9 - DONATED SERVICES

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended August 31, 2017 and 2016, the Organization received donated services of \$2,461 and \$5,021, respectively. Volunteers also provided fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

NOTE 10 - DONATED MATERIALS

Donations of equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. During the years ended August 31, 2017 and 2016, the Organization received donated instruments valued at \$3,095 and \$3,233, respectively.

NOTE 11 - EFFECT OF CURRENT ECONOMIC CONDITIONS ON SUPPORT

Infinity Visual and Performing Arts, Inc. depends heavily on contributions and grants for its revenue. The ability of certain of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. While Infinity's management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.