

Waco Cultural Arts Fest

Financial Statements

December 31, 2009 and 2008

(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

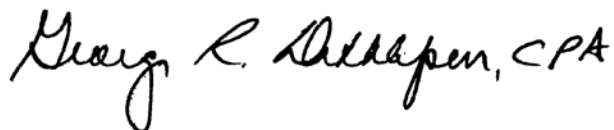
Waco Cultural Arts Fest
Waco, Texas

To the Board of Directors:

We have audited the accompanying statements of financial position of Waco Cultural Arts Fest (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities, cash flows, and functional expenses 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 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 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 Waco Cultural Arts Fest as of December 31, 2009 and 2008, 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.



George R. Dethlefsen, CPA
Waco, Texas

March 24, 2010

Waco Cultural Arts Fest
Statement of Financial Position
December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets		
Cash	\$ 25,773	2,563
Unconditional promises to give	100	7,000
Grants receivable	636	-
Total Current Assets	26,509	9,563
Cash held for endowment	576	250
Beneficial interest in assets held by Waco Foundation	51,491	44,096
Property and equipment, net	3,044	-
Total Assets	\$ 81,620	53,909

LIABILITIES AND NET ASSETS

Current Liabilities		
Line of credit	\$ -	5,000
Total Current Liabilities	-	5,000
Net Assets		
Unrestricted	(547)	(2,437)
Temporarily restricted	81,592	51,096
Permanently restricted	575	250
Total Net Assets	81,620	48,909
Total Liabilities and Net Assets	\$ 81,620	53,909

The accompanying notes are an integral part of these financial statements

Waco Cultural Arts Fest
Statement of Activities
For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Festival				
Donations, grants, sponsorships	\$ 75,224	\$ 100	\$ 325	\$ 75,649
In-kind contributions	85,182	-	-	85,182
Special events, net of expenses of \$3,378	6,898	-	-	6,898
Fees collected	6,955	-	-	6,955
Sales, net of costs	2,617	-	-	2,617
"Branding the Brazos" gifts and grants	83,861	30,390	-	114,251
Investment income, net	-	6	-	6
Net assets released from restrictions	-	-	-	-
	<u>260,737</u>	<u>30,496</u>	<u>325</u>	<u>291,558</u>
Total Support and Revenue				
EXPENSES				
Program services				
Annual festival	136,061			136,061
Art exhibition and placement	104,624			104,624
Supporting services				
Management & general	15,471			15,471
Fundraising	2,691			2,691
	<u>258,847</u>			<u>258,847</u>
Total Expenses				
CHANGE IN NET ASSETS	1,890	30,496	325	32,711
NET ASSETS AT BEGINNING OF YEAR	<u>(2,437)</u>	<u>51,096</u>	<u>250</u>	<u>48,909</u>
NET ASSETS AT END OF YEAR	<u>\$ (547)</u>	<u>\$ 81,592</u>	<u>\$ 575</u>	<u>\$ 81,620</u>

The accompanying notes are an integral part of these financial statements

Waco Cultural Arts Fest
Statement of Activities
For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Festival				
Donations, grants, sponsorships	\$ 39,632	\$ -	\$ 250	\$ 39,882
In-kind contributions	39,627	-	-	39,627
Fees collected	5,665	-	-	5,665
Advertising sold	2,900	-	-	2,900
Sales, net of costs	2,243	-	-	2,243
"Branding the Brazos" gifts and grants	90,640	49,100	-	139,740
Investment income, net	-	293	-	293
Net assets released from restrictions	-	-	-	-
	<u>180,707</u>	<u>49,393</u>	<u>250</u>	<u>230,350</u>
Total Support and Revenue				
EXPENSES				
Program services				
Annual festival	95,324			95,324
Art exhibition and placement	90,640			90,640
Supporting services				
Management & general	5,173			5,173
Fundraising	126			126
	<u>191,263</u>			<u>191,263</u>
Total Expenses				
CHANGE IN NET ASSETS	(10,556)	49,393	250	39,087
NET ASSETS AT BEGINNING OF YEAR	<u>8,119</u>	<u>1,703</u>	<u>-</u>	<u>9,822</u>
NET ASSETS AT END OF YEAR	<u>\$ (2,437)</u>	<u>\$ 51,096</u>	<u>\$ 250</u>	<u>\$ 48,909</u>

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Waco Cultural Arts Fest
Statement of Cash Flows
For The Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 32,711	39,087
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	609	-
Non-cash contributions capitalized	(3,653)	-
Cash donations restricted for endowment	(325)	(250)
Investment income reinvested	(6)	(293)
Changes in assets and liabilities:		
Promises to give	6,900	(7,000)
Grants receivable	(636)	-
Line of credit	<u>(5,000)</u>	<u>5,000</u>
Net cash provided (used) by operating activities	<u>30,600</u>	<u>36,544</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfer of assets to Waco Foundation	<u>(7,390)</u>	<u>(42,100)</u>
Net cash provided (used) by investing activities	<u>(7,390)</u>	<u>(42,100)</u>
 NET INCREASE (DECREASE) IN CASH	 23,210	 (5,556)
 CASH, BEGINNING OF YEAR	 <u>2,563</u>	 <u>8,119</u>
 CASH, END OF YEAR	 <u><u>\$ 25,773</u></u>	 <u><u>2,563</u></u>
 SUPPLEMENTAL DISCLOSURE:		
Cash paid during the year for:		
Interest	\$ 123	81
Income taxes	\$ -	-

The accompanying notes are an integral part of these financial statements

Waco Cultural Arts Fest
Statement of Functional Expenses
For the Year Ended December 31, 2009

	Program Services		Supporting Services		Total
	Annual Festival	Exhibitions & Placement	Management and General	Fundraising	
Contract awards to artists	\$ -	\$ 91,861	\$ -	\$ -	\$ 91,861
Advertising	55,985	-	-	-	55,985
Performers	36,261	-	-	-	36,261
Equipment rental	33,203	1,237	-	-	34,440
Landscaping	-	11,006	-	-	11,006
Professional fees	-	-	10,000	-	10,000
Security	3,240	-	-	-	3,240
Printing	2,385	245	-	574	3,204
Supplies	1,988	-	895	-	2,883
Hospitality	2,137	-	-	-	2,137
Website design and maintenance	-	-	2,066	-	2,066
Insurance	828	-	895	-	1,723
Other	34	275	1,615	2,117	4,041
	\$ 136,061	\$ 104,624	\$ 15,471	\$ 2,691	\$ 258,847

The accompanying notes are an integral part of these financial statements

Waco Cultural Arts Fest
Statement of Functional Expenses
For the Year Ended December 31, 2008

	Program Services		Supporting Services		Total
	Annual Festival	Exhibitions & Placement	Management and General	Fundraising	
Contract awards to artists	\$ 2,650	\$ 90,640	\$ -	\$ -	\$ 93,290
Advertising	25,158	-	-	-	25,158
Performers	19,126	-	-	-	19,126
Equipment rental	34,294	-	-	-	34,294
Professional fees	-	-	3,500	-	3,500
Security	3,420	-	-	-	3,420
Printing	2,942	-	-	-	2,942
Supplies	3,835	-	-	-	3,835
Hospitality	2,714	-	-	-	2,714
Insurance	721	-	895	-	1,616
Other	464	-	778	126	1,368
	\$ 95,324	\$ 90,640	\$ 5,173	\$ 126	\$ 191,263

The accompanying notes are an integral part of these financial statements

Waco Cultural Arts Fest
Notes to Financial Statements
December 31, 2009 and 2008

1) Summary of Significant Accounting Policies

Organization

Waco Cultural Arts Fest (WCAF) is a Texas nonprofit corporation created to promote multicultural events for Waco and surrounding Central Texas communities by celebrating diversity and fostering greater understanding of cultural differences through the arts. WCAF aims to honor art education and the art community through an annual two-day festival (the Festival) of art, music, performance, food and arts activities for all ages. WCAF also contracts with individual artists and receives funds donated to support the placement of public art in Waco and the surrounding communities. The Internal Revenue Service has ruled that WCAF qualifies as an organization described in Section 501(C)(3) of the Internal Revenue Code and, accordingly, is exempt from federal income taxes.

Basis of Presentation

The financial statements of WCAF have been prepared in accordance with U.S. generally accepted accounting principles.

Unrestricted Net Assets

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and that can be used currently for the general purposes of WCAF in accordance with its by-laws. WCAF may voluntarily designate unrestricted resources for land, buildings, and equipment or other purposes, but this is a voluntary action of the governing board that can be modified or reversed at its discretion. These designations of unrestricted resources by the governing board do not have the same legal requirements as do restrictions of funds.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent resources currently available for use, but expendable only for those operating purposes specified by the donor. When the restrictions are met (either by passage of time or by use) the net assets are reported as "net assets released from restrictions" on the statement of activities.

Permanently Restricted Net Assets

Permanently restricted net assets represent principal amounts of gifts and bequests, which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity, with only the income to be utilized. The Board of Directors may choose to utilize the earnings from these funds for the general operations of WCAF.

Cash

Cash consists of amounts held on demand deposit and cash on hand.

Promises to Give

Unconditional promises to give are recorded as support and receivables when received. Unless otherwise noted, all promises are expected to be collected in full within one year of the date of the statement of financial position, and therefore no allowance for doubtful accounts has been estimated. Conditional promises to give are not recognized until the conditions of the promise are substantially met and the promise becomes unconditional.

Waco Cultural Arts Fest
Notes to Financial Statements
December 31, 2009 and 2008

1) Summary of Significant Accounting Policies (continued)

Gifts and Grants (non-festival)

WCAF receives donations and grants from individuals and foundations in support of certain art projects in Waco and the surrounding communities. These gifts are received with restrictions that the funds be used to pay the costs of contracts with individual artists, supplies for arts activities, or site support. Such gifts received are reported as increases in temporarily restricted net assets unless the restrictions are met in the same reporting period as the gifts are received, in which case the gifts are reported as increases in unrestricted net assets.

Property and Equipment

WCAF records additions of property and equipment at cost if purchased or at fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Property and equipment are reported on the statement of financial position net of accumulated depreciation.

In-Kind Contributions and Donated Services

In-kind contributions and donated services are reflected as contributions at their estimated fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. WCAF recognizes the fair value of contributed services received if such services a) create or enhance non-financial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Such goods or services are reflected in the accompanying financial statements as both revenue when received and expense when used.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires WCAF's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2008 financial statement presentation in order to conform to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

2) Fair Value Measurements

Certain assets and liabilities in the financial statements are reported at fair value, in accordance with FASB Statement No. 157, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Statement establishes a framework for measuring fair value in GAAP, identifying three levels of measurements: quoted prices in active markets for identical assets (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3); Level 1 inputs receive the highest priority when measuring fair value. WCAF's beneficial interest in assets held by the Waco Foundation is reported at fair value and has been measured using Level 2 inputs on a recurring basis.

Waco Cultural Arts Fest
Notes to Financial Statements
December 31, 2009 and 2008

3) Beneficial Interest in Assets Held by Waco Foundation

WCAF has two investment accounts under the management of the Waco Foundation. These accounts have been established to support WCAF's "Branding the Brazos" project discussed in Note 5. Public contributions made to WCAF for "Branding the Brazos" are subsequently transferred to the Waco Foundation. The funds held by the Waco Foundation are the property of the Waco Foundation held by it in its trust capacity. Income earned (less investment fees incurred) accumulates with the corpus of the fund. WCAF may make recommendations to the Waco Foundation regarding distributions of principal, but any such distributions are made at the sole discretion of Waco Foundation. It is intended that assets be held for the benefit of WCAF and the "Branding the Brazos" project as long as the need for funds exists. However, the assets are subject to the governing documents of Waco Foundation and the policies and procedures of its governing body. Consequently, the Waco Foundation has the right to substitute another beneficiary in the place of WCAF without the approval of the WCAF. In addition, the Waco Foundation holds funds donated directly to the Foundation for the benefit of WCAF and the "Branding the Brazos" project, which are not reflected in the financial statements. WCAF's beneficial interest in assets held by Waco Foundation is carried at the fair value of the underlying invested cash. WCAF's beneficial interest in assets held by the Waco Foundation consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>
Branding the Brazos Fund	\$ 51,282	44,096
Branding the Brazos - Doris Miller Fund	210	-
	<u>\$ 51,492</u>	<u>44,096</u>

At December 31, 2009, assets held by the Waco Foundation for the benefit of WCAF and the "Branding the Brazos" project which are not reflected in these financial statements were valued at \$85,829. During 2009 and 2008, the value of WCAF's beneficial interest in assets held by Waco Foundation increased (decreased) as follows:

	<u>2009</u>	<u>2008</u>
WCAF transferred to Waco Foundation	\$ 7,390	42,100
Investment income	87	373
Investment fees	(81)	(80)
	<u>\$ 7,396</u>	<u>42,393</u>

4) Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>
Laptop	\$ 400	-
Computer software	3,253	-
	<u>3,653</u>	-
Less accumulated depreciation	(609)	-
	<u>\$ 3,044</u>	<u>-</u>

Depreciation charged to expense was \$609 for 2009.

Waco Cultural Arts Fest
Notes to Financial Statements
December 31, 2009 and 2008

5) Line of Credit

WCAF has a \$25,000 unsecured line of credit. Interest on the outstanding balance is payable quarterly at an annual rate of 6.5%. WCAF borrowed \$5,000 on this line of credit in September 2008 to help finance its annual festival. Interest charged to expense on outstanding balances totaled \$123 and \$81 during 2009 and 2008.

6) In-Kind Contributions and Donated Services

The value of in-kind contributions and donated services received and included as contributions in the financial statements was \$85,182 and \$39,627 during 2009 and 2008. In-kind contributions received in 2009 include a donated laptop and donated computer software (see Note 4). These donations have been capitalized at their fair value and will be depreciated over the estimated useful lives of the assets. Expenses corresponding to in-kind contributions and donated services are reflected in the statement of functional expenses as follows:

	<u>2009</u>	<u>2008</u>
Program services:		
Advertising expense	\$ 54,210	23,200
Equipment rental	11,115	11,920
Landscaping	11,006	-
Hospitality	1,923	2,573
Supplies	188	434
Performers	500	500
Management and general:		
Supplies	587	-
Professional fees	-	1,000
Website design and maintenance	2,000	-
	<u>\$ 81,529</u>	<u>39,627</u>

Additionally, WCAF's directors and officers have made a significant contribution of their time to develop the organization and its programs. No amounts have been recognized in the accompanying statement of activities and changes in net assets because the criteria for recognition discussed in Note 1 have not been satisfied.

7) "Branding the Brazos"

"Branding the Brazos" is a four-stage WCAF project which involves erecting a series of bronze statues at Indian Spring Park within the City of Waco. WCAF and Clifton Robinson (donor) have contracted with sculptor Robert Summers to provide bronzes of three trail riders and twenty-five longhorns at a projected cost of approximately \$1.5 million. Because the Summers contract is guaranteed by the donor, WCAF is not contingently liable for future contract costs.

During 2009, "Branding the Brazos" became the umbrella project for the Doris Miller Project, which will involve erecting a memorial to the World War II hero in Bledsoe-Miller Park, across the river from Indian Spring Park. As discussed in Note 3, the Waco Foundation maintains separate funds to support "Branding the Brazos" and the Doris Miller Project.

Waco Cultural Arts Fest
Notes to Financial Statements
December 31, 2009 and 2008

7) “Branding the Brazos” (continued)

As of December 31, 2009 and 2008, WCAF had conditional promises to give toward the “Branding the Brazos” project which totaled \$1,029,888 and \$1,224,764, respectively. Payments on these promises will be made incrementally and are contingent upon the completion of the various stages of the project. As discussed in Note 1, conditional promises to give are recognized as support when the conditions of the promise are substantially met and the promise becomes unconditional.

8) Related Party Transactions

Community Race Relations Coalition (CRRRC) is a related party to WCAF. In October 2009, the treasurer of WCAF also began to serve as the treasurer for CRRRC. In September 2009, CRRRC made a contribution of \$3,000 to WCAF in support of the Festival.

9) Concentration

During the years ended December 31, 2009 and 2008, a significant portion of “Branding the Brazos” gifts and grants was received from a single donor. Such gifts represented 37% and 39% of total support and revenue during 2009 and 2008, respectively. As discussed in Note 1, these gifts are for the acquisition of public art in the Waco area and are separate from the Festival.

10) Subsequent Events

WCAF has evaluated subsequent events through March 24, 2010, the date which the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date that would require adjustment to, or disclosure in, the financial statements.