

Waco Cultural Arts Fest

Financial Statements

December 31, 2008 and 2007

(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, 2008 and 2007, and the related statements of activities, functional expenses, 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 audit.

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, 2008 and 2007, and the changes in 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

George R. Dethlefsen, CPA
Waco, Texas

February 12, 2009

Waco Cultural Arts Fest
Statement of Financial Position
December 31, 2008 and 2007

<u>ASSETS</u>		
	<u>2008</u>	<u>2007</u>
Current Assets		
Cash	\$ 2,563	8,119
Unconditional promises to give	<u>7,000</u>	<u>-</u>
Total Current Assets	<u>9,563</u>	<u>8,119</u>
Cash held for endowment	250	-
Beneficial interest in assets held by Waco Foundation	<u>44,096</u>	<u>1,703</u>
Total Assets	<u>\$ 53,909</u>	<u>9,822</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Line of credit	<u>\$ 5,000</u>	<u>-</u>
Total Current Liabilities	<u>5,000</u>	<u>-</u>
Net Assets		
Unrestricted	(2,437)	8,119
Temporarily restricted	51,096	1,703
Permanently restricted	<u>250</u>	<u>-</u>
Total Net Assets	<u>48,909</u>	<u>9,822</u>
Total Liabilities and Net Assets	<u>\$ 53,909</u>	<u>9,822</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>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>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
<i>Branding the Brazos</i> 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 costs	185,964			185,964
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 Activities
For the Year Ended December 31, 2007

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	PERMANENTLY <u>RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUE				
Festival				
Donations, grants, sponsorships	\$ 59,333	\$ -	\$ -	\$ 59,333
In-kind contributions	42,170	-	-	42,170
Fees collected	6,302	-	-	6,302
Advertising sold	3,200	-	-	3,200
Sales, net of costs	1,107	-	-	1,107
<i>Branding the Brazos</i> gifts and grants	40,000	25	-	40,025
Investment income, net	-	58	-	58
Net assets released from restrictions	<u>104,500</u>	<u>(104,500)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>256,612</u>	<u>(104,417)</u>	<u>-</u>	<u>152,195</u>
EXPENSES				
Program costs	250,575			250,575
Supporting services				
Management & general	1,227			1,227
Fundraising	<u>160</u>			<u>160</u>
Total Expenses	<u>251,962</u>			<u>251,962</u>
CHANGE IN NET ASSETS	4,650	(104,417)	-	(99,767)
NET ASSETS AT BEGINNING OF YEAR	<u>3,469</u>	<u>106,120</u>	<u>-</u>	<u>109,589</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,119</u>	<u>\$ 1,703</u>	<u>\$ -</u>	<u>\$ 9,822</u>

The accompanying notes are an integral part of these financial statements

Waco Cultural Arts Fest
Statement of Cash Flows
For The Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 39,087	(99,767)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Cash restricted for endowment	(250)	-
Contributions made directly to Waco Foundation	(35,100)	(25)
Non-cash investment income	(293)	(58)
Changes in assets and liabilities:		
Promises to give	(7,000)	-
Line of credit	5,000	-
	1,444	(99,850)
Net cash provided (used) by operating activities	1,444	(99,850)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfer of assets to Waco Foundation	(7,000)	-
Net cash provided (used) by investing activities	(7,000)	-
 NET INCREASE IN CASH EQUIVALENTS	 (5,556)	 (99,850)
 CASH, BEGINNING OF YEAR	 8,119	 107,969
 CASH, END OF YEAR	 \$ 2,563	 8,119
 SUPPLEMENTAL DISCLOSURE:		
Cash paid during the year for:		
Interest	\$ 81	-
Income taxes	\$ -	-

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

	Program <u>Costs</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Festival expenses				
Equipment rental	\$ 34,294	\$ -	\$ -	\$ 34,294
Advertising	25,158	-	-	25,158
Performers	19,126	-	-	19,126
Supplies	3,835	-	-	3,835
Security	3,420	-	-	3,420
Printing	2,942	-	-	2,942
Awards to artists	2,650	-	-	2,650
Hospitality	2,714	-	-	2,714
Insurance	721	-	-	721
Other	464	-	-	464
Contract awards to artists	90,640	-	-	90,640
Professional fees	-	3,500	-	3,500
Insurance	-	895	-	895
Other	-	778	126	904
	<u>\$ 185,964</u>	<u>\$ 5,173</u>	<u>\$ 126</u>	<u>\$ 191,263</u>

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Waco Cultural Arts Fest
Statement of Functional Expenses
For the Year Ended December 31, 2007

	Program <u>Costs</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Festival expenses				
Equipment rental	\$ 15,457	\$ -	\$ -	\$ 15,457
Advertising	41,725	-	-	41,725
Performers	21,333	-	-	21,333
Supplies	2,620	-	-	2,620
Security	2,460	-	-	2,460
Printing	2,803	-	-	2,803
Awards to artists	15,150	-	-	15,150
Hospitality	3,385	-	-	3,385
Insurance	903	-	-	903
Other	239	-	-	239
Contract awards to artists	144,500	-	-	144,500
Professional fees	-	-	-	-
Insurance	-	915	-	915
Other	-	312	160	472
	<u>\$ 250,575</u>	<u>\$ 1,227</u>	<u>\$ 160</u>	<u>\$ 251,962</u>

The accompanying notes are an integral part of these financial statements

Waco Cultural Arts Fest
Notes to Financial Statements
December 31, 2008 and 2007

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 is authorized 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 in the financial statements until the conditions of the promise are substantially met and the promise becomes unconditional.

Waco Cultural Arts Fest
Notes to Financial Statements
December 31, 2008 and 2007

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.

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.

2) Beneficial Interest in Assets Held by Waco Foundation

WCAF has an investment account under the management of the Waco Foundation. This account was 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. Contributions can also be made directly to the Waco Foundation for the benefit of the WCAF project. All contributions and the interest income earned are reported in the statement of activities as increases in temporarily restricted net assets. Interest income earned on principal amounts donated will remain and accumulate with the principal. WCAF may make recommendations to the Waco Foundation regarding distributions of principal, but any such distributions will be made at the sole discretion of the Waco Foundation.

WCAF's beneficial interest in assets held by Waco Foundation is carried at the fair value of the underlying invested cash. During 2008 and 2007, the value of WCAF's beneficial interest in assets held by Waco Foundation increased (decreased) as follows:

	<u>2008</u>	<u>2007</u>
WCAF transferred to Waco Foundation	\$ 7,000	-
Direct contributions of others	35,100	25
Investment income	373	66
Investment fees	(80)	(8)
	<u>\$ 42,393</u>	<u>83</u>

Waco Cultural Arts Fest
Notes to Financial Statements
December 31, 2008 and 2007

3) Line of Credit

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

4) 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 \$39,627 and \$42,170 during 2008 and 2007. The expenses corresponding to these in-kind contributions are reflected in the statement of functional expenses as follows:

	<u>2008</u>	<u>2007</u>
Program services:		
Advertising expense	\$ 23,200	40,840
Equipment rental	11,920	980
Hospitality	2,573	350
Supplies	434	-
Performers	500	-
Management and general:		
Professional fees	1,000	-
	<u>\$ 39,627</u>	<u>42,170</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.

5) "Branding the Brazos"

"Branding the Brazos" is a massive 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.

As of December 31, 2008 and 2007, WCAF had conditional promises to give amounting to \$1,224,764 and \$924,500, respectively. Payments on these promises will be made incrementally and are contingent upon the completion of the various stages of the "Branding the Brazos" project. As discussed in Note 1, conditional promises to give are recognized as support when the conditions of the promises are substantially met and the promises become unconditional.

6) Concentrations

During the years ended December 31, 2008 and 2007, a significant portion of "Branding the Brazos" gifts and grants was received from a single donor. Such gifts represented 39% and 26% of total support and revenue during 2008 and 2007, 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.