

Waco Cultural Arts Fest

Financial Statements

December 31, 2007 and 2006

(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, 2007 and 2006, 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 audit in accordance with U.S. generally accepted auditing standards. 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 Waco Cultural Arts Fest as of December 31, 2007 and 2006, and the changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

George R. Dethlefsen, CPA

George R. Dethlefsen, CPA
Waco, Texas

April 29, 2008

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

1) Summary of Significant Accounting Policies

Organization

Waco Cultural Arts Fest (WCAF) is a 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. Further, the Service has ruled it is not a "Private Foundation" within the meaning of Section 509(A) of the Code.

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. Such contributions are reported as increases in temporarily restricted net assets. 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.

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1) Summary of Significant Accounting Policies (continued)

Investments

Investments are in marketable debt and equity securities held by the Waco Foundation. Investments are reported at fair value in the financial statements as determined by the Waco Foundation based on quoted market prices.

The account at the Waco Foundation was established to support WCAF's "Branding the Brazos" project. Contributions can be made directly to the Waco Foundation for the benefit of the WCAF project. Such contributions and the income thereon are reported in the statement of activities as increases in temporarily restricted net assets unless the restrictions are met in the same reporting period as the income is earned, in which case the contributions and/or income are reported as increases in unrestricted net assets.

Grants

WCAF receives grants from foundations in support of certain art projects in Waco and the surrounding communities. These grants 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. Grants received are reported as increases in temporarily restricted net assets unless the grant restrictions are met in the same reporting period as the grants are received, in which case the grants 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) Investment Income

The following summarizes the total investment income reflected in the statement of activities:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 60	58
Realized gain on investments	4	-
Unrealized gain on investments	2	-
Investment fees	(8)	(3)
	<u>\$ 58</u>	<u>55</u>

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3) In-Kind Contributions and Donated Services

The value of in-kind contributions and donated services included as contributions in the financial statements and the corresponding program expenses for the years ended December 31, 2007 and 2006, are as follows:

	<u>2007</u>	<u>2006</u>
Advertising	\$ 40,840	40,244
Equipment rental	980	-
Hospitality	350	1,125
Legal and professional	-	11,237
Supplies	-	1,224
	<u>\$ 42,170</u>	<u>53,830</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 have not been satisfied.

4) Concentrations

WCAF maintains its cash balances in one financial institution located in Waco, Texas. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At various times there were balances in the bank that were over the FDIC limit. At December 31, 2007 there were no uninsured balances. At December 31, 2006, the uninsured cash balances totaled \$7,917.

During the years ended December 31, 2007 and 2006, substantially all of WCAF's grant revenue was received from a single grantor. Grants from said grantor composed 26% and 69% of total support and revenue during 2007 and 2006, respectively. As discussed in Note (1), these grants are primarily for the acquisition of public art in the Waco area and are separate from the Festival.

5) Conditional Promise to Give

As of December 31, 2007, WCAF had an existing conditional promise to receive \$924,500. Payments will be made incrementally and are contingent upon the completion of the various stages of the "Branding the Brazos" project. "Branding the Brazos" is a four-stage project which involves erecting a series of bronze statues at certain places within the City of Waco. Conditional promises to give are not recognized as support until the conditions are substantially met and the promise becomes unconditional.