

SPRINGFIELD AREA ARTS COUNCIL

**FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S REPORT**

September 30, 2018 and 2017

SPRINGFIELD AREA ARTS COUNCIL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Springfield Area Arts Council

We have audited the accompanying financial statements of Springfield Area Arts Council (an Illinois nonprofit corporation) (the "Council"), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expense, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements: Management is responsible for the preparation 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.

Auditor's Responsibility: Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditor's 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 auditor considers 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 Springfield Area Arts Council as of September 30, 2018 and 2017, 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.

Murphy & Associates CPAs LLC

March 13, 2019

SPRINGFIELD AREA ARTS COUNCIL
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,324	\$ 915
Grants and bequests receivable	-	11,685
Total current assets	<u>7,324</u>	<u>12,600</u>
FIXED ASSETS		
Office furniture and equipment	10,585	10,585
Less accumulated depreciation	<u>(8,886)</u>	<u>(8,649)</u>
Fixed assets, net	<u>1,699</u>	<u>1,936</u>
OTHER ASSETS		
Cash - designated	53,537	50,502
Purchased art works	<u>5,537</u>	<u>5,537</u>
Total other assets	<u>59,074</u>	<u>56,039</u>
Total assets	<u>\$ 68,097</u>	<u>\$ 70,575</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 737
Grants payable	-	8,255
Payroll, payroll taxes, and employee benefits payable	<u>997</u>	<u>3,546</u>
Total current liabilities	<u>997</u>	<u>12,538</u>
NET ASSETS		
Unrestricted	2,100	(6,963)
Temporarily restricted	<u>65,000</u>	<u>65,000</u>
Total net assets	<u>67,100</u>	<u>58,037</u>
Total liabilities and net assets	<u>\$ 68,097</u>	<u>\$ 70,575</u>

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

SPRINGFIELD AREA ARTS COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions	\$ 64,230	\$ -	\$ 64,230
In-kind contributions	1,673	-	1,673
Federal government support	24,000	-	24,000
State government support	17,145	-	17,145
Local government support	15,000	15,000	30,000
Program fees	18,034	-	18,034
Raffle revenue	1,745	-	1,745
Interest and dividends	273	-	273
Net assets released from restrictions	15,000	(15,000)	-
Total support	<u>157,100</u>	<u>-</u>	<u>157,100</u>
EXPENSES			
PROGRAM SERVICES			
Grant programs	14,981	-	14,981
Education and art programs	106,553	-	106,553
Total program services	<u>121,534</u>	<u>-</u>	<u>121,534</u>
SUPPORT SERVICES			
Fund raising	7,355	-	7,355
Management and general	19,148	-	19,148
Total support services	<u>26,503</u>	<u>-</u>	<u>26,503</u>
Total expenses	<u>148,037</u>	<u>-</u>	<u>148,037</u>
Change in net assets	9,063	-	9,063
NET ASSETS, beginning of year	<u>(6,963)</u>	<u>65,000</u>	<u>58,037</u>
Net assets, end of year	<u>\$ 2,100</u>	<u>\$ 65,000</u>	<u>\$ 67,100</u>

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

SPRINGFIELD AREA ARTS COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions	\$ 64,526 ✓	\$ -	\$ 64,526 ✓
In-kind contributions	3,300	-	3,300 ✓
Federal government support	8,180 ✓	-	8,180 ✓
State government support	31,740 ✓	-	31,740 ✓
Local government support	15,000	15,000	30,000 ✓
Program fees	20,692	-	20,692
Raffle income	2,236	-	2,236
Interest and dividends	231 ✓	-	231
Net assets released from restrictions	14,500	(14,500)	-
Total support	<u>160,405</u>	<u>500</u>	<u>160,905</u>
EXPENSES			
PROGRAM SERVICES			
Grant programs	17,924	-	17,924
Education and art programs	138,662	-	138,662
Total program services	<u>156,586</u>	<u>-</u>	<u>156,586</u>
SUPPORT SERVICES			
Fund raising	9,846	-	9,846
Management and general	12,611	-	12,611
Total support services	<u>22,457</u>	<u>-</u>	<u>22,457</u>
Total expenses	<u>179,043</u>	<u>-</u>	<u>179,043</u>
Change in net assets	(18,638)	500	(18,138)
NET ASSETS, beginning of year	<u>11,675</u>	<u>64,500</u>	<u>76,175</u>
Net assets, end of year	<u>\$ (6,963)</u>	<u>\$ 65,000</u>	<u>\$ 58,037</u>

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

SPRINGFIELD AREA ARTS COUNCIL

STATEMENT OF FUNCTIONAL EXPENSE FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Services		Supporting Services		Total Expenses
	Grant Programs	Education and Art Programs	Fundraising	Management and General	
Salaries and payroll taxes	\$ -	\$ 31,565	\$ 3,329	\$ 4,621	\$ 39,515 P
Employee benefits	-	3,656	450	675	4,781 P
Artistic services	-	30,728	250	135	31,113 P
Accounting and auditing	-	2,717	415	1,981	5,113
Professional fees - other	-	6,185	325	1,548	8,058
Contracts	-	-	-	6,290	6,290
Grants	14,981	-	-	-	14,981 G
Advertising	-	894	580	8	1,482
Dues and subscriptions	-	1,372	131	160	1,663
Equipment rental	-	60	-	-	60
Insurance	-	920	230	901	2,051 B
AO Postage and shipping	-	495	90	59	644 A
AO Printing and copying	-	1,638	46	70	1,754 A
AO Rent - office	-	5,270	702	1,054	7,026 A
AO Rent - venues	-	2,637	37	54	2,728 A
AO Supplies - office	-	941	126	188	1,255 A
AO Supplies - program	-	2,570	18	-	2,588 A
Catering and hospitality	-	608	78	-	686 A
Fundraising	-	50	70	-	120
AO Telephone	-	1,970	263	394	2,627 A
Travel and parking	-	4,751	-	-	4,751
Lodging and meals	-	4,216	-	-	4,216
Repairs	-	-	-	285	285
Office - other	-	-	-	154	154
Bank fees	-	456	51	75	582
AO Computer and printer	-	812	108	162	1,082 A
AO Internet and website	-	363	48	73	484 A
Processing fees	-	25	8	5	38
In-kind	-	1,654	-	19	1,673
Depreciation	-	-	-	237	237
Total expenses	\$ 14,981	\$ 106,553	\$ 7,355	\$ 19,148	\$ 148,037

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

SPRINGFIELD AREA ARTS COUNCIL
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Services		Supporting Services		Total Expenses
	Grant Programs	Education and Art Programs	Fundraising	Management and General	
Salaries and benefits	\$ -	\$ 46,012	\$ 5,668	\$ 8,502	\$ 60,182
Employee benefits	-	7,409	1,100	931	9,440
Artistic services	-	36,775	150	-	36,925
Accounting and auditing	-	2,587	345	518	3,450
Professional fees - other	-	9,610	-	-	9,610
Grants	17,924	-	-	-	17,924
Advertising	-	2,976	41	61	3,078
Dues and subscriptions	-	1,606	73	109	1,788
Insurance	-	457	91	366	914
Postage and shipping	-	391	215	18	624
Printing and copying	-	2,340	83	110	2,533
Rent - office	-	5,141	686	1,028	6,855
Rent - venues	-	2,326	-	-	2,326
Repairs and maintenance	-	1,300	40	60	1,400
Supplies - office	-	418	56	84	558
Supplies - program	-	4,047	4	6	4,057
Catering and hospitality	-	2,420	770	-	3,190
Fundraising	-	150	-	-	150
Telephone	-	1,507	201	301	2,009
Travel and parking	-	5,311	-	-	5,311
Lodging and meals	-	3,016	-	-	3,016
Office expenses - other	-	-	-	59	59
Concessions	-	1,590	-	-	1,590
Computer and printer	-	538	66	100	704
Internet and website	-	690	85	127	902
Processing fees	-	45	172	-	217
Depreciation	-	-	-	231	231
Total expenses	\$ 17,924	\$ 138,662	\$ 9,846	\$ 12,611	\$ 179,043

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

SPRINGFIELD AREA ARTS COUNCIL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 9,063	\$ (18,138)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	237	231
Decrease (increase) in designated cash	(3,035)	17,544
Decrease (Increase) in grants receivable	11,685	(11,685)
Increase (decrease) in accounts payable	(737)	737
Increase (decrease) in grants payable	(8,255)	8,255
Increase (decrease) in payroll liabilities	(2,549)	2,812
	<hr/>	<hr/>
Net cash provided (used) by operating activities	6,409	(244)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of depreciable assets	<hr/> -	<hr/> (2,005)
Net change in cash and cash equivalents	6,409	(2,249)
CASH AND CASH EQUIVALENTS, beginning of year	<hr/> 915	<hr/> 3,164
Cash and cash equivalents, end of year	<hr/> <u>\$ 7,324</u>	<hr/> <u>\$ 915</u>

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

SPRINGFIELD AREA ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 and 2017

1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Springfield Area Arts Council (the "Council") promotes the existence and visibility of all arts forms; provides educational and financial support of artists and art organizations; promotes and underwrites arts in education; supports local, state, and national policies which increase public appreciation for the arts; and advocates for participation in the arts by all citizens in our communities.

The Council operates primarily in Springfield, Illinois.

Basis of Accounting - The Council prepares its financial statements on the accrual basis of accounting in conformity with the accounting principles generally accepted in the United States of America. This basis of accounting recognizing revenues and gains as they are earned and expenses and losses are recognized when incurred.

Basis of Presentation - The Council reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Permanently restricted net assets consist of net assets subject to donor-imposed restrictions that they be maintained permanently.
- Temporarily restricted net assets consist of net assets subject to donor-imposed stipulations that may or will be met by actions of the Council or by the passage of time.
- Unrestricted net assets are not subject to donor-imposed stipulations.

No permanently restricted assets were held during the years ended September 30, 2018 and 2017, accordingly these financial statements do not reflect any activity related to permanently restricted net assets.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain items in the 2017 presentation have been reclassified to conform to the 2018 presentation.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, cash and cash equivalents are defined as demand deposits and cash on hand.

SPRINGFIELD AREA ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

Office Furniture and Equipment - Office Furniture and equipment are stated at historical cost. Depreciation is provided using the straight-line method over estimated useful lives of five to seven years.

Maintenance and repairs are charged to expense when incurred. Major renewals and improvements are capitalized. When items of property or equipment are sold or retired, related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

Temporarily Restricted and Unrestricted Receipts - Contributions are recorded as unrestricted, temporarily restricted, and permanently restricted receipts, depending on the existence and/or nature of any donor restrictions. Unrestricted net assets include all net assets which are neither temporarily or permanently restricted. Temporarily restricted net assets include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Support that is temporarily restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 restrictions.

Income Tax - The Council is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and similar provisions of state law. The Council is classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Generally accepted accounting principles provide guidance on how the tax effects of an uncertain tax position taken or expected to be taken in the Council's tax filings should be recorded and disclosed, in the financial statement. Under that guidance the Council may recognize the benefit of a tax position only if the tax position is more likely than not to be sustained upon its challenge by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Council's primary tax position relates to its status as a not-for-profit entity exempt from income taxes. Management has evaluated the tax positions reflected in the Council's tax filings and does not believe that any material uncertain tax positions exist.

The Council's tax filings for the years ending September 30, 2018, 2017, 2016, and 2015, are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

SPRINGFIELD AREA ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 and 2017

In-Kind Contributions - Contributions of assets other than cash are recorded at their estimated fair value on the date of receipt.

A substantial number of volunteers have donated significant amounts of time to support the activities of the Springfield Area Arts Council. The value of donated services is not reflected in the accompanying financial statements because they do not meet the recognition criteria established under generally accepted accounting principles.

Purchased Art Work - Purchased art work consists of a collection of original works of art acquired through the Mayor's Award and through other arts competitions. Purchased art works are valued at original cost or estimated cost when original cost is not available. No depreciation is taken on purchased art works as they are considered to be a permanent collection.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. FIXED ASSETS

Fixed assets consist of the following at September 30, 2018 and 2017:

	2018	2017
Furniture and equipment	\$ 10,585	\$ 10,585
Less accumulated depreciation	<u>(8,886)</u>	<u>(8,649)</u>
Net fixed assets	<u>\$ 1,699</u>	<u>\$ 1,936</u>

Depreciation expense for the years ended September 30, 2018 and 2017, was \$237 and \$231, respectively.

3. CASH – DESIGNATED

At September 30, 2018 and 2017, the Board of Directors had set aside in separate deposit accounts amounts for future operations as follows:

	2018	2017
DESIGNATED FOR:		
Future operations - grant revenue	\$ 8,421	\$ 365
Future operations - contributions	<u>45,116</u>	<u>50,137</u>
Total cash - designated	<u>\$ 53,537</u>	<u>\$ 50,502</u>

SPRINGFIELD AREA ARTS COUNCIL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 and 2017

4. TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2018 and 2017, temporarily restricted net assets are available for the following purposes:

	2018	2017
First Night Springfield	\$ 5,000	\$ 5,000
Penny Wollan-Kriel Arts-In-Education Program	500	500
Community Arts Access Grants	2,000	2,000
City Arts Grants	7,500	7,500
Gerlach contribution	50,000	50,000
	<hr/>	<hr/>
Total temporarily restricted net assets	<u>\$ 65,000</u>	<u>\$ 65,000</u>

5. SIMPLIFIED EMPLOYEE PENSION (SEP) RETIREMENT PLAN

The Council provides a Simplified Employee Pension Individual Retirement Plan (SEP-IRA) for all full time employees. The Council contributes 3% of an employee's salary to the plan. The Council's expense under this plan was \$1,362 and \$2,703 for the years ended September 30, 2018 and 2017, respectively.

6. LEASES

The Council leases office space from the Hoogland Center for the Arts, Inc. on a month to month basis with a requirement to provide ninety day notice of cancelation. Future minimum lease payments payable in the year ended September 30, 2019 are \$1,782. Lease expense under this lease was \$7,026 and \$6,855 during the years ended September 30, 2018 and 2017, respectively.

7. CONCENTRATIONS:

During the years ended September 30, 2018 and 2017, the Council had concentrations of revenue from the following sources:

	<u>% of Total Revenue and Support</u>	
	2018	2017
City of Springfield	19%	18%

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2019, the date the financial statements were available to be issued.

