# ArtFusion 19464

## FINANCIAL STATEMENTS

**Year Ended August 31, 2014**

# ArtFusion19464

**TABLE OF CONTENTS**


| | PAGE |
|---|---|
| **INDEPENDENT AUDITOR'S REPORT** | 2 - 3 |
| **FINANCIAL STATEMENTS** | |
| Statement Of Assets, Liabilities And Net Assets - Cash Basis | 4 |
| Statement Of Support, Revenue, And Expenses - Cash Basis | 5 |
| Notes To Financial Statements | 6 - 9 |

**REINHART and COMPANY**
*certified public accountants*

109 EAST PHILADELPHIA AVENUE
BOYERTOWN, PENNSYLVANIA 19512
PHONE (610) 367-2028
FAX NO. (610) 367-7804
MEMBER OF AMERICAN INSTITUTE OF CPA'S
MEMBER OF PENNSYLVANIA INSTITUTE OF CPA'S

Robert D. Reinhart, *CPA*
David L. Strunk, *CPA*
Barbara A. Akins, *CPA*
Tracey L. Yergey, *CPA*

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ArtFusion 19464

We have audited the accompanying financial statements of ArtFusion 19464 (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-cash basis as of August 31, 2014, and the related statement of support, revenue, and expenses-cash basis 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 the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Thos 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 assets, liabilities, and net assets of ArtFusion 19464 as of August 31, 2013, and its support, revenue and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 2.

**Basis of Accounting**

We draw attention to Note #2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Reinhart & Company

Boyertown, Pennsylvania
June 24, 2015

**ArtFusion 19464**
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS**
**August 31, 2014**

ASSETS

| | |
|---|---|
| Current Assets | |
| Checking | $ 834 |
| Total Assets | $ 834 |

LIABILITIES

| | |
|---|---|
| Liabilities | $ 0 |

NET ASSETS

| | |
|---|---|
| Unrestricted | 459 |
| Temporarily Restricted | 375 |
| Total Net Assets | 834 |
| Total Liabilities And Net Assets | $ 834 |

*The Accompanying Notes Are An Integral Part Of The Financial Statements.*

**ArtFusion19464**
**STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - CASH BASIS**
**Year Ended August 31, 2014**

| | UNRESTRICTED | TEMPORARILY RESTRICTED | TOTAL |
|---|---|---|---|
| PUBLIC SUPPORT AND OTHER REVENUES | | | |
| Public Support | | | |
| Contributions | $ 18,207 | $ 0 | $ 18,207 |
| Grants | 33,854 | 0 | 33,854 |
| Special Events (Net of Direct Expense of $ 2,446) | 6,048 | 0 | 6,048 |
| Total Public Support | 58,109 | 0 | 58,109 |
| Other Revenues | | | |
| Class Tuition And Programs | 30,883 | 0 | 30,883 |
| Memberships | 4,620 | 0 | 4,620 |
| Sales - Gallery Art (Less Artist Commissions $ 6,389) | 2,951 | 0 | 2,951 |
| Sales - Framing (Less Cost of Sales $ 6,650) | 2,933 | 0 | 2,933 |
| Sales - Art Supplies | 3,178 | 0 | 3,178 |
| Sales Tax Collected | 690 | 0 | 690 |
| Gift Certificates Sold | 130 | 0 | 130 |
| Miscellaneous | 313 | 0 | 313 |
| Total Other Revenues | 45,698 | 0 | 45,698 |
| Net Assets Released From Restrictions | 3,236 | (3,236) | 0 |
| Total Public Support And Other Revenues | 107,043 | (3,236) | 103,807 |
| EXPENSES | | | |
| Salaries And Wages | 44,863 | 0 | 44,863 |
| Payroll Taxes | 5,425 | 0 | 5,425 |
| Independent Contracted Services | 15,665 | 0 | 15,665 |
| Professional Fees | 1,500 | 0 | 1,500 |
| Occupancy | 26,606 | 0 | 26,606 |
| Insurance | 2,993 | 0 | 2,993 |
| Telephone and Internet | 1,829 | 0 | 1,829 |
| Supplies | 3,839 | 0 | 3,839 |
| Marketing | 358 | 0 | 358 |
| Postage | 187 | 0 | 187 |
| Membership Dues | 220 | 0 | 220 |
| Miscellaneous | 1,604 | 0 | 1,604 |
| Bank Fees | 1,207 | 0 | 1,207 |
| Sales Tax Paid | 642 | 0 | 642 |
| Credit Card Payments | 2,082 | 0 | 2,082 |
| Total Expenses | 109,020 | 0 | 109,020 |
| Change In Net Assets | (1,977) | (3,236) | (5,213) |
| NET ASSETS, September 1, 2013 | 2,436 | 3,611 | 6,047 |
| NET ASSETS, August 31, 2014 | $ 459 | $ 375 | $ 834 |

*The Accompanying Notes Are An Integral Part Of The Financial Statements.*

**ARTFUSION 19464**
**NOTES TO FINANCIAL STATEMENTS**
**August 31, 2014**

## Note #1 - Organization

ArtFusion 19464 located at 254 East High Street, Pottstown, is a nonprofit organization incorporated under the laws of Pennsylvania in 2005. The entity's primary exempt purpose is to enrich the lives of the residents of the greater Pottstown area through the visual arts, regardless of ethnicity and economic situations. The goal of the entity is to spark creativity, build self-confidence and develop community bonds through education, mentoring and community service. The entity's primary sources of revenue include contributions and grants.

## Note #2 - Summary Of Significant Accounting Policies

Method Of Accounting

The financial statements of the entity have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Support and revenues are recognized when received. Expenses are recognized when paid.

Financial Statement Presentation

The entity reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted
Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted
Net assets whose use by the entity are subject to donor-imposed restrictions that can be fulfilled by actions of the entity pursuant to those restrictions or that expire by the passage of time. As of August 31, 2014, $ 375 of assets is temporarily restricted for Veterans Art Classes.

Permanently Restricted
Net assets subject to donor-imposed restrictions that they be maintained permanently by the entity. Generally, the donors of these assets permit the entity to use all or part of the income on these assets. At August 31, 2014, there were no permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions are reported as unrestricted operating revenue when the restriction is satisfied.

Income Tax Status

The entity is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the entity qualifies for the charitable contributions deduction under Section 170(b)(1)(a).

Income Tax Position

The entity has evaluated its tax position and determined that it does not have any uncertain tax position that meets the criteria under Accounting Standards Codification Topic 740, *Income Taxes.*

## Note #2 - Summary Of Significant Accounting Policies (Continued)

### Use Of Estimates

The preparation of financial statements in conformity with the cash basis of accounting 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Fair Value of Financial Instruments

The entity discloses the fair value of certain financial instruments including cash and debt. The estimated fair value amounts have been determined by the entity using available market information and appropriate valuation methodologies. The carrying values of these financial instruments approximate their fair value.

### Contributions

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of donor restrictions. Contributions are required to be reported as permanently restricted support or as temporarily restricted and then reclassified to unrestricted net assets upon expiration of time restrictions. 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 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.

### Contributed Services

The entity's Board of Directors and volunteers donate significant amounts of time to the various programs and operations of the entity. Contributed services that (a) create or improve long-lived assets or (b) require specialized skills provided by individuals possessing those skills that would typically need to be purchased if not provided by donation meet the requirement for recognition in the financial statements. The value of services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

### Presentation of Sales Taxes

The State of Pennsylvania imposes a sales tax of 6% on all of the entity's sales to nonexempt customers for its sale of retail items sold in the museum gift shop. The entity collects that sales tax from customers and remits the entire amount to the State. The entity's accounting policy is to include the tax collected and remitted to the State from revenues and cost of sales.

### Advertising

The entity follows the policy of charging the costs of advertising to expenses as incurred.

### Date Of Management's Review

Management has evaluated subsequent events through June 24, 2015, the date on which the financial statements were available to be issued.

**Note #3 -Grants**

The entity received the following grants for the year ending December 31, 2014:

| | |
|---|---|
| **The Greater Pottstown Foundation** – for the Art, Clay, Thai and French Language Academies; Healing Arts Print Making; Healing Arts Pottery; and Summer Field Trips | $ 19,976 |
| **Pottstown School District** - Out-Of-School Arts Enrichment | 7,844 |
| **Creative Health Services** – LTSR & Children's Partial Arts Enrichment | 2,800 |
| **National Penn Bank (EITC)** – Teen Studio | 2,150 |
| **Mosaic Community Land Trust/Community Garden** – Summer Arts Enrichment at the Ricketts Center | 519 |
| **Miscellaneous Grants** – Arts Enrichment | 565 |
| Total | $33,854 |

Grant monies received were spent according to the grant requirements as of August 31, 2014.

**Note #4 - Net Assets Released From Restrictions**

Contributions that were temporarily restricted were released from restrictions at August 31, 2014 for the following:

| | |
|---|---|
| Veterans Art Classes | $ 375 |
| Clay, Art, Conversational French And Field Trip | 2,861 |
| Total | $ 3,236 |

**Note #5 - Rent**

The entity rents a three-story building located at 254 High Street, Pottstown, PA from CLE Properties, LLC. The Executive Director of the entity is an 11% member of CLE Properties, LLC. Terms of the lease are as follows: $ 1,750 monthly rent. The Landlord pays real estate taxes. The entity is responsible for the annual PADIDA tax, water, gas, heat, light, power, telephone and other utilities and services supplied to the premises. Total rent paid for the year ending August 31, 2014 was $ 16,729. No security deposit is required.

**Note #6 - Credit Card Payments**

For the year ending year ending August 31, 2014, $ 2,082 includes interest expense, late fees and payments for supplies/expenses charged on credit cards in prior years.

**Note #7 - Risk Management**

The entity is exposed to various risks of loss related to torts; theft of or damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Significant losses are covered by commercial insurance for all areas for which the entity retains risks of loss.

**Note #8 - Commitments**

Credit Card Balance

At August 31, 2014 the entity owes $ 6,120 on an outstanding credit card.

Back Rent

The entity owes $ 13,479 in back rent to CLE, LLC as of August 31, 2014. According to the lease, any rent overdue after April 1, 2014 shall bear interest at the rate of ten percent (10%).