

ELK COUNTY COUNCIL ON THE ARTS

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2010

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CONTENTS

	PAGE
Independent Accountant's Review Report	1
Statement of Financial Position	2 - 3
Statement of Activities	4
Statement of Cash Flow	5
Summary of Significant Accounting Policies and Notes to Financial Statements	6 - 8
Statement of Functional Expenses	9 - 10

Board of Directors
Elk County Council on the Arts
Ridgway, Pennsylvania

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

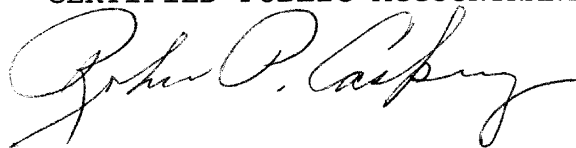
I have reviewed the accompanying statement of financial position of the Elk County Council of the Arts as of August 31, 2010 and 2009 and the related statements of activities and cash flow for the years ended August 31, 2010 and 2009, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management for the Elk County Council on the Arts.

A review consists principally of inquiries of the management of the Elk County Council on the Arts and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based upon my review, I am not aware of any material modifications which should be made to the accompanying financial statements for the years ended August 31, 2010 and 2009 in order for them to be in conformity with generally accepted accounting policies.

CERTIFIED PUBLIC ACCOUNTANT

January 28, 2011
St. Marys, Pennsylvania



ELK COUNTY COUNCIL ON THE ARTS
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash in Banks and on Hand	\$ 2,329	\$ 1,171
Bank Certificate of Deposit	37,672	<u>36,194</u>
Total Current Assets	40,001	37,365
Elk County Community Foundation Endowment	6,699	5,613
Land, Building, Furniture, Equipment and Improvements At Cost less Accumulated Depreciation of \$20,833 and \$19,688	44,048	<u>45,193</u>
Total Assets	<u>\$90,748</u>	<u>\$88,171</u>
NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 4,651	\$ 2,506
Mortgage Loan Due Within One Year	2,954	2,715
Northwest Savings Bank Line of Credit	837	971
Accrued Payroll Taxes	381	312
Liability for Employee Payroll Deductions	670	544
Liability for State Sales Tax Collections	91	<u>239</u>
Total Current Liabilities	9,584	7,287
Long-Term Liabilities		
Mortgage Loan Due After One Year	38,058	<u>41,273</u>
Total Liabilities	<u>47,642</u>	<u>48,560</u>
Net Assets		
Unrestricted	2,355	3,518
Temporarily Restricted	35,751	31,093
Permanently Restricted	5,000	<u>5,000</u>
Total Net Assets (Deficit)	<u>43,106</u>	<u>39,611</u>
Total Liabilities and Net Assets	<u>\$90,748</u>	<u>\$88,171</u>

The accompanying Accountant's review report, summary of significant accounting policies and notes are an integral part of this statement.

**ELK COUNTY COUNCIL ON THE ARTS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions - Governments	\$108,335	\$ 4,658	\$	\$112,993
Contributions - Public	14,677			14,677
Special Event				
Annual Gala Revenue	\$ 6,161			
Other Special Event Revenue	3,310			
Expenses	(4,739)	4,732		4,732
Program Income				
Summer Concert Series	5,976			
Bus Trips	3,393			
Art Gallery Commissions	15,359			
Tuition	1,153			
Summer Camp	1,850			
Spring Program	3,993			
Memberships	6,728			
Taste of the Wilds	400			
Firemen's Parade	300			
Other Event Sales	859			
Benefit Concert	201			
Photocopies	131	40,343		40,343
Interest and Investment Income	1,231			1,231
<hr/>				
Total Revenue and Support Before Net Assets Released from Restrictions	169,318	4,658	-	173,976
Net Assets Released from Restrictions Restrictions Satisfied by Payments	-	-	-	-
<hr/>				
Total Revenue and Support	169,318	4,658	-	173,976
Expenses				
Program Service Expenses	137,899			
Supporting Service Expenses	21,216			
Fundraising Expenses	11,366	170,481	-	170,481
<hr/>				
Decrease in Net Assets	(1,163)	4,658	-	3,495
Net Assets - Beginning of Year	3,518	31,093	5,000	39,611
<hr/>				
Net Assets - End of Year	\$ 2,355	\$35,751	\$5,000	\$43,106

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**ELK COUNTY COUNCIL ON THE ARTS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2009**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions - Governments	\$81,999	\$	\$	\$ 81,999
Contributions - Public	26,355	1,021		27,376
Special Event				
Annual Gala Revenue	\$ 8,000			
Other Special Event Revenue	4,200			
Expenses	(6,342)			
	5,858			5,858
Program Income				
Summer Concert Series	4,869			
Fall Program	5,804			
Summer Camp	1,770			
Taste of the Wilds	1,414			
PA Wilds	7,500			
Other Programs	1,118			
Art Gallery Commissions	11,774			
Tuition	2,934			
Memberships	5,794			
Photocopies	259			
	43,236			43,236
Interest and Investment Income	(1,736)			(1,736)
<hr/>				
Total Revenue and Support Before Net Assets Released from Restrictions	155,712	1,021	-	156,733
<hr/>				
Net Assets Released from Restrictions Restrictions Satisfied by Payments	2,529	(2,529)	-	-
<hr/>				
Total Revenue and Support	158,241	(1,508)	-	156,733
<hr/>				
Expenses				
Program Service Expenses	136,337			
Supporting Service Expenses	22,355			
Fundraising Expenses	12,167			
	170,859	-	-	170,859
<hr/>				
Decrease in Net Assets	(12,618)	(1,508)	-	(14,126)
<hr/>				
Net Assets - Beginning of Year	16,136	32,601	5,000	53,737
<hr/>				
Net Assets - End of Year	<u>\$ 3,518</u>	<u>\$31,093</u>	<u>\$5,000</u>	<u>\$ 39,611</u>

The accompanying Accountant's review report, summary of significant accounting policies and notes are an integral part of this statement.

**ELK COUNTY COUNCIL ON THE ARTS
STATEMENT OF CASH FLOW
YEAR ENDED AUGUST 31, 2010 and 2009**

	2010	2009
Operating Activities		
Change in Net Assets	\$ 3,495	(\$14,126)
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
Changes in Operating Assets and Liabilities:		
Depreciation	1,145	1,145
Decrease (Increase) in Bank Certificates of Deposit	(1,478)	4,932
Decrease (Increase) in Elk County Community Foundation Endowment	(1,086)	2,085
Decrease (Increase) in Accounts Receivable	-	100
Increase in Accounts Payable	2,145	372
Increase (Decrease) in Payroll Tax Liabilities	195	(1,277)
Increase in Liability for Sales Tax Collections	(148)	143
Net Cash Used by Operating Activities	<u>4,268</u>	<u>(6,626)</u>
Financing Activities		
Mortgage Loan Repayments	(2,976)	(3,260)
Line of Credit Loan Advances	8,500	8,200
Line of Credit Loan Payments	(8,634)	(7,229)
Net Cash Provided by Financing Activities	<u>(3,110)</u>	<u>(2,289)</u>
Net Increase (Decrease) in Cash	1,158	(8,915)
Cash at Beginning of Year	<u>1,171</u>	<u>10,086</u>
Cash at End of Year	<u>\$ 2,329</u>	<u>\$ 1,171</u>

For purposes of the Statement of Cash Flow, the management of the Elk County Council on the Arts considers marketable securities with a maturity of three months or less at the time of purchase to be cash equivalents.

Interest payments of \$3,624 and \$3,373 for the years ended August 31, 2010 and 2009, respectively, are included in Decrease in Net Assets. There were no payments of tax for the year.

The accompanying Accountant's review report, summary of significant accounting policies and notes are an integral part of this statement.

ELK COUNTY COUNCIL ON THE ARTS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

The following summary of the significant accounting policies adhered to by the Elk County Council on the Arts and notes to the financial statements are presented to assist the reader in the evaluation of the financial statements and other data contained in this financial report.

PURPOSE OF THE ORGANIZATION

The Elk County Council on the Arts is dedicated to promoting the cultural enrichment of the residents of Elk County by expanding the opportunity for public participation in the arts. The Council's goal is to enhance the lives of county residents and the various local arts by offering experiences in the arts, providing educational opportunity and advice, and by supporting performers, musicians, artists and writers.

ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that effect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Elk County Council on the Arts considers temporary investment maturing in three months or less at the date of acquisition as cash equivalents.

INVESTMENTS

The Elk County Council on the Arts is the recipient of a contribution held by the Elk County Community Foundation in an endowment fund. As of August 31, 2010 and 2009, the value of the account is \$6,699 and \$5,613, respectively. Of that account balance, \$5,000 is permanently restricted and cannot be distributed to the Elk County Council on the Arts.

DONATIONS

During the years ended August 31, 2010 and 2009, contributions of \$5,976 and \$4,869, respectively, were received for the Summer Concert Series. As of August 31, 2010 and 2009, \$1,247 and \$1,021 respectively, of the Summer Concert Series designated contributions were not been expended and are temporarily restricted. The balance of contributions received

ELK COUNTY COUNCIL ON THE ARTS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

DONATIONS (Continued)

during the year were unrestricted as to their use in fulfilling the operational needs of the Elk County Council on the Arts.

DONATED SERVICES AND NON-CASH ASSETS

The Elk County Council on the Arts has adopted Statement of Financial Accounting Standards (SFAS) Number 116 for valuation and recording of services and non-cash contributions. Contributions of donated non-cash assets are recorded at their fair market in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair value in the period received.

The Elk County Council on the Arts receives a significant amount of donated services from unpaid volunteers who serve as directors, assist in fund-raising and other projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS Number 116 have not been satisfied.

FURNITURE, EQUIPMENT AND IMPROVEMENTS

Acquisitions of furniture, equipment and improvements are recorded at cost and are being depreciated on the straight line method.

ADVERTISING

The Elk County Council on the Arts expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising expense was \$1,800 and \$3,548 for the years ended August 31, 2010 and 2009, respectively.

MORTGAGE LOAN

On March 6, 2006, the Elk County Council on the Arts purchased the building at 237 Main Street. A mortgage loan of \$53,000 was provided by the Northwest Saving Bank. The loan provides for one hundred eighty (180) monthly payments of \$502.37 including interest at 7.75% for the first one hundred twenty months. For the remaining period of the loan, interest will be adjusted to monthly average yield of U.S. Treasury Securities plus

ELK COUNTY COUNCIL ON THE ARTS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2010

MORTGAGE LOAN (Continued)

three (3%) percent rounded to the nearest .125%. As of August 31, 2010, the balance due on the mortgage loan is \$41,012 of which \$2,954 is due within one year and \$38,058 is due after one year.

Future minimum principal payments on the mortgage loan are as follows:

Year ended August 31, 2011	\$ 2,954
2012	3,191
2013	3,447
2014	3,724
2015	4,023
after August 31, 2015	23,673

FINANCIAL STATEMENT PRESENTATION

The Elk County Council on the Arts has adopted SFAS Number 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS Number 117, the Elk County Council on the Arts is required to report 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.

As of August 31, 2010 and 2009, net assets are classified as follows:

	AUGUST 31,	
	2010	2009
Unrestricted	\$ 2,355	\$33,590
Temporarily Restricted	35,751	1,021
Permanently Restricted	5,000	5,000
Total Net Assets	<u>\$43,106</u>	<u>\$39,611</u>

TAX STATUS

The Elk County Council on the Arts is a tax exempt agency under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, the Elk County Council on the Arts is exempt from corporate taxes; and donations to the Elk County Council on the Arts qualify as a tax deduction for the donor.

**ELK COUNTY COUNCIL ON THE ARTS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2010**

	Total	Program Services	Management and General	Fundraising
Program Grants	\$ 62,672	\$ 62,672	\$	\$
Compensation	41,660	24,038	10,083	7,539
Employee Benefits	273	159	64	50
Payroll Taxes	3,638	2,117	864	657
Accounting Fees	1,185		1,185	
Contract Labor	118	118		
Advertising	1,800	1,800		
Office Expense				
Telephone	1,362	793	320	249
Postage and Shipping	1,114	964		150
Photocopier Rental	3,079	1,794	723	562
Printing	2,025	1,799		226
Internet and Website	399	399		
Occupancy	3,561	2,075	835	651
Travel	735	735		
Conferences	1,103	1,103		
Interest Expense	3,624		3,624	
Depreciation	1,145	641	286	218
Insurance	2,039	1,188	479	372
Other Expenses				
Supplies	3,442	1,070	1,780	592
Dues	973		973	
Program Production	21,577	21,577		
Artist Commissions	12,306	12,306		
Licenses	100			100
Credit Card and Bank Fees	551	551		
	<u>\$170,481</u>	<u>\$137,899</u>	<u>\$21,216</u>	<u>\$11,366</u>

The accompanying Accountant's review report, summary of significant accounting policies and notes are an integral part of this statement.

**ELK COUNTY COUNCIL ON THE ARTS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2009**

	Total	Program Services	Management and General	Fundraising
Program Grants	\$ 27,405	\$ 27,405	\$	\$
Compensation	40,553	22,687	10,144	7,722
Payroll Taxes	3,831	1,975	1,187	669
Accounting Fees	1,865		1,865	
Advertising	3,548	3,548		
Office Expense				
Telephone and Internet	1,583	1,220	206	157
Postage and Shipping	1,668	1,399		269
Photocopier Rental	2,021	1,131	505	385
Printing	549	316		233
Occupancy	6,643	3,717	1,661	1,265
Conferences	605		605	
Interest Expense	3,373		3,373	
Depreciation	1,145	641	286	218
Insurance	3,183	1,781	796	606
Other Expenses				
Supplies	2,704	759	1,402	543
Dues	325		325	
Program Production	60,143	60,143		
Artist Commissions	8,584	8,584		
State Sales Tax	580	580		
Licenses	100			100
Credit Card and Bank Fees	451	451		
	<u>\$170,859</u>	<u>\$136,337</u>	<u>\$22,355</u>	<u>\$12,167</u>

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