

ELK COUNTY COUNCIL ON THE ARTS

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2012

ROBERT P. CASKEY
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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, 2012 and 2011 and the related statements of activities and cash flow for the years ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

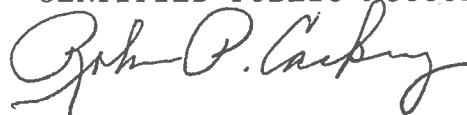
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based upon my review I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

My review was made primarily for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principals generally accepted in the United States of America. The supplementary data appearing on pages 9 and 10 are presented only for supplementary analysis purposes. This supplementary information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and I am not aware of any material modifications that should be made to these data.

CERTIFIED PUBLIC ACCOUNTNANT



December 14, 2012
St. Marys, Pennsylvania

ELK COUNTY COUNCIL ON THE ARTS
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash in Banks and on Hand	\$ 6,393	\$ 1,617
Bank Certificate of Deposit	<u>30,727</u>	<u>29,742</u>
Total Current Assets	37,120	31,359
Elk County Community Foundation Endowment	6,658	6,699
Land, Building, Furniture, Equipment and Improvements At Cost less Accumulated Depreciation of \$23,123 and \$21,978	<u>41,758</u>	<u>42,903</u>
Total Assets	<u>\$85,536</u>	<u>\$80,961</u>
NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 706	\$ 1,262
Mortgage Loan Due Within One Year	4,108	3,211
Northwest Savings Bank Line of Credit	-	4,026
Accrued Payroll Taxes	720	565
Liability for Employee Payroll Deductions	718	596
Liability for State Sales Tax Collections	<u>111</u>	<u>98</u>
Total Current Liabilities	6,363	9,758
Long-Term Liabilities		
Mortgage Loan Due After One Year	<u>29,894</u>	<u>34,595</u>
Total Liabilities	<u>36,257</u>	<u>44,353</u>
Net Assets		
Unrestricted	44,279	31,608
Temporarily Restricted	-	-
Permanently Restricted	<u>5,000</u>	<u>5,000</u>
Total Net Assets (Deficit)	<u>49,279</u>	<u>36,608</u>
Total Liabilities and Net Assets	<u>\$85,536</u>	<u>\$80,961</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, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions - Governments	\$ 72,900	\$	\$	\$ 72,900
Contributions - Public	36,210			36,210
Special Event				
Annual Gala Revenue	\$ 6,893			
Expenses	(4,215)	2,678		2,678
Program Income				
Summer Concert Series	5,456			
Art Gallery Commissions	19,170			
Tuition	2,796			
Summer Camp	3,725			
Ticket Sales	881			
Memberships	5,053			
Taste of the Wilds	501			
Other Event Sales	1,042			
Benefit Concert	80			
Photocopies	637	39,341		39,341
Interest and Investment Income		29		29
Total Revenue and Support Before Net Assets Released from Restrictions	151,158	-	-	151,158
Net Assets Released from Restrictions				
Restrictions Satisfied by Payments	-	-	-	-
Total Revenue and Support	151,158	-	-	151,158
Expenses				
Program Service Expenses	110,203			
Supporting Service Expenses	18,815			
Fundraising Expenses	9,469	138,487	-	138,487
Decrease in Net Assets	12,671	-	-	12,671
Net Assets - Beginning of Year	31,608	-	5,000	36,608
Net Assets - End of Year	<u>\$ 44,279</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 49,279</u>

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ELK COUNTY COUNCIL ON THE ARTS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Contributions - Governments	\$113,653	\$	\$	\$113,653
Contributions - Public	13,030			13,030
Special Event				
Annual Gala Revenue	\$ 4,128			
Other Special Event Revenue	3,153			
Expenses	<u>(2,940)</u>			
	4,341			4,341
Program Income				
Spring and Summer				
Concert Series	3,434			
Benefit Concert	163			
Bus Trips	880			
Summer Camp	2,455			
Taste of the Wilds	475			
Other Programs	2,516			
Art Gallery Commissions	18,436			
Tuition	2,582			
Memberships	7,044			
Photocopies	<u>642</u>			
Interest and Investment Income	38,627			38,627
	<u>97</u>			<u>97</u>
Total Revenue and Support Before Net Assets Released from Restrictions	169,748			169,748
Net Assets Released from Restrictions				
Restrictions Satisfied by Payments	<u>35,751</u>	<u>(35,751)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	205,499	(35,751)	-	169,748
Expenses				
Program Service Expenses	147,488			
Supporting Service Expenses	18,921			
Fundraising Expenses	<u>9,837</u>			
	176,246	-	-	176,246
Decrease in Net Assets	29,253	(35,751)	-	(6,498)
Net Assets - Beginning of Year	<u>2,355</u>	<u>35,751</u>	<u>5,000</u>	<u>43,106</u>
Net Assets - End of Year	<u>\$ 31,608</u>	<u>\$ -</u>	<u>\$5,000</u>	<u>\$ 36,608</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, 2012 and 2011**

	2012	2011
Operating Activities		
Change in Net Assets	\$12,671	(\$ 6,498)
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	(985)	7,930
Decrease (Increase) in Elk County Community Foundation Endowment	41	-
(Decrease) in Accounts Payable	(556)	(3,389)
Increase (Decrease) in Payroll Tax Liabilities	277	110
Increase in Liability for Sales Tax Collections	13	7
Net Cash Used by Operating Activities	<u>12,606</u>	<u>(695)</u>
Financing Activities		
Mortgage Loan Repayments	(3,804)	(3,206)
Line of Credit Loan Advances	1,000	12,500
Line of Credit Loan Payments	<u>(5,026)</u>	<u>(9,311)</u>
Net Cash Provided by Financing Activities	<u>(7,830)</u>	<u>(17)</u>
Net Increase (Decrease) in Cash	4,776	(712)
Cash at Beginning of Year	<u>1,617</u>	<u>2,329</u>
Cash at End of Year	<u>\$ 6,393</u>	<u>\$ 1,617</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 \$3,433 and \$3,624 for the years ended August 31, 2012 and 2011, 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, 2012**

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, 2012 and 2011, the value of the account is \$6,658 and \$6,699, 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, 2012 and 2011, contributions of \$5,456 and \$5,976, respectively, were received for the Summer Concert Series. As of August 31, 2011 and 2010 all funds were applied according to donor requests. The balance of contributions received during the year were unrestricted as to

ELK COUNTY COUNCIL ON THE ARTS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

DONATIONS (Continued)

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 \$3,909 and \$1,800 for the years ended August 31, 2012 and 2011, 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

ELK COUNTY COUNCIL ON THE ARTS
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2012

MORTGAGE LOAN (Continued)

adjusted to monthly average yield of U.S. Treasury Securities plus three (3%) percent rounded to the nearest .125%. As of August 31, 2012, the organization has elected to pay an additional \$47.63 per month on the principal. Based upon the higher payment amount, the balance due on the mortgage loan is \$34,002 of which \$4,108 is due within one year and \$29,894 is due after one year.

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

Year ended August 31, 2013	\$ 4,108
2014	4,439
2015	4,795
2016	5,180
2017	5,596
after August 31, 2017	9,884

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, 2012 and 2011, net assets are classified as follows:

	AUGUST 31,	
	2012	2011
Unrestricted	\$44,279	\$31,608
Temporarily Restricted	-	-
Permanently Restricted	<u>5,000</u>	<u>5,000</u>
Total Net Assets	<u>\$49,279</u>	<u>\$36,608</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, 2012**

	Total	Program Services	Management and General	Fundraising
Compensation	\$ 41,227	\$ 26,611	\$ 8,532	\$ 6,084
Employee Benefits	287	182	63	42
Payroll Taxes	4,075	2,644	846	585
Accounting Fees	1,465		1,465	
Contract Labor	81	81		
Advertising	3,909	3,909		
Office Expense				
Telephone	1,231	837	209	185
Postage and Shipping	1,291	1,078		213
Photocopier Rental	3,738	2,542	635	561
Printing	233	77		156
Internet and Website	609	609		
Occupancy	4,827	3,282	821	724
Travel	363	206		157
Conferences	583	583		
Interest Expense	3,433		3,433	
Depreciation	1,145	641	286	218
Insurance	2,963	2,015	504	444
Other Expenses				
Supplies	4,053	2,470	1,583	
Dues	438		438	
Program Production	47,520	47,520		
Artist Commissions	14,817	14,817		
Licenses	100			100
Credit Card and Bank Fees	99	99		
	<u>\$138,487</u>	<u>\$110,203</u>	<u>\$18,815</u>	<u>\$ 9,469</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, 2011

	Total	Program Services	Management and General	Fundraising
Compensation	\$ 42,238	\$ 27,006	\$ 8,807	\$6,425
Consulting Fees	471	471		
Payroll Taxes	3,916	2,504	816	596
Accounting Fees	1,235		1,235	
Advertising	2,622	2,622		
Office Expense				
Telephone and Internet	1,846	1,248	346	252
Postage and Shipping	1,250	1,218		32
Photocopier Rental	3,237	2,070	675	492
Printing	751	352		399
Occupancy	3,914	2,441	844	629
Conferences	71	71		
Interest Expense	3,025		3,025	
Depreciation	1,145	641	286	218
Insurance	2,686	1,717	560	409
Other Expenses				
Supplies	2,421	905	1,231	285
Dues	948		948	
Program Production	89,804	89,804		
Artist Commissions	12,821	12,821		
State Sales Tax	762	762		
Late Filing Fee	148		148	
Licenses	100			100
Credit Card and Bank Fees	835	835		
	<u>\$176,246</u>	<u>\$147,488</u>	<u>\$18,921</u>	<u>\$9,837</u>

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