

Inside Out Community Arts, Inc.

Financial Statements

September 30, 2007

BYEMAN & CLEARY
CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
Inside Out Community Arts, Inc.
Venice, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of Inside Out Community Arts, Inc. as of September 30, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide 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 Inside Out Community Arts, Inc as of September 30, 2007 and 2006 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



November 16, 2007

INSIDE OUT COMMUNITY ARTS, INC.

STATEMENTS OF FINANCIAL POSITION

	<u>ASSETS</u>	
	September 30,	
	2007	2006
Current assets:		
Cash	\$ 57,700	\$ 49,792
Accounts receivable	10,789	46,082
Grants receivable	94,520	100,200
Prepaid expense	974	1,511
Total current assets	<u>163,983</u>	<u>197,585</u>
Property and equipment:		
Office equipment	20,696	16,493
Program equipment	19,538	14,738
Vehicle	11,801	11,801
Less: accumulated depreciation	<u>(25,530)</u>	<u>(19,169)</u>
Net property and equipment	<u>26,505</u>	<u>23,863</u>
TOTAL ASSETS	<u>\$ 190,488</u>	<u>\$ 221,448</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:		
Accounts payable	\$ 20,846	\$ 24,623
Accrued payroll and related taxes	15,044	11,869
Deferred revenue	-	8,334
Line of credit	<u>-</u>	<u>12,088</u>
Total current liabilities	<u>35,890</u>	<u>56,914</u>
	35,890	56,914
Long - term liabilities:		
Note payable	<u>-</u>	<u>4,700</u>
Total long - term liabilities	<u>-</u>	<u>4,700</u>
Total liabilities	<u>35,890</u>	<u>61,614</u>
Net assets:		
Unrestricted	55,041	26,110
Temporarily restricted	<u>99,557</u>	<u>133,724</u>
Total net assets	<u>154,598</u>	<u>159,834</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 190,488</u>	<u>\$ 221,448</u>

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

INSIDE OUT COMMUNITY ARTS, INC.

STATEMENTS OF ACTIVITIES

<u>SUPPORT AND REVENUE:</u>	Year Ended September 30, 2007			Year Ended September 30, 2006		
	Temporarily			Temporarily		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Contributions and grants:						
Government grants	\$ 2,000	\$ 86,120	\$ 88,120	\$ 2,000	\$ 57,500	\$ 59,500
Foundations	66,500	90,500	157,000	17,500	200,500	218,000
Corporate foundations	-	14,000	14,000	1,000	10,000	11,000
Corporations	51,856	79,942	131,798	60,083	22,500	82,583
Individuals	92,347	125	92,472	66,729	-	66,729
Special events support	47,063	-	47,063	81,692	-	81,692
Special events direct benefit costs	(5,398)	-	(5,398)	(36,894)	-	(36,894)
Contributed services & products	70,747	-	70,747	57,404	-	57,404
Program service fees:						
Special needs programs	-	-	-	2,000	-	2,000
The School project	33,168	-	33,168	28,500	-	28,500
L.A. Bridges	21,017	-	21,017	12,622	-	12,622
Festivals, outreach, and other programs	19,943	-	19,943	45,047	-	45,047
Interest income	1,239	-	1,239	-	-	-
Miscellaneous	4,443	-	4,443	1,844	-	1,844
	404,925	270,687	675,612	339,527	290,500	630,027
Net assets released due to satisfaction of restrictions	304,854	(304,854)	-	232,655	(232,655)	-
TOTAL SUPPORT AND REVENUE	709,779	(34,167)	675,612	572,182	57,845	630,027
<u>EXPENSES:</u>						
Program service:						
Special needs programs	16,009	-	16,009	13,004	-	13,004
Neighborhood Arts Project	130,277	-	130,277	122,890	-	122,890
The School Project	202,182	-	202,182	180,219	-	180,219
LA Bridges	26,345	-	26,345	11,611	-	11,611
Master Training Program	51,969	-	51,969	25,758	-	25,758
Festivals, outreach, and other programs	89,295	-	89,295	81,263	-	81,263
Total program	516,077	-	516,077	434,745	-	434,745
Management and general	79,145	-	79,145	68,892	-	68,892
Fundraising efforts	85,626	-	85,626	89,737	-	89,737
TOTAL EXPENSES	680,848	-	680,848	593,374	-	593,374
CHANGE IN NET ASSETS	28,931	(34,167)	(5,236)	(21,192)	57,845	36,653
NET ASSETS AT BEGINNING OF YEAR	26,110	133,724	159,834	47,302	75,879	123,181
NET ASSETS AT END OF YEAR	\$ 55,041	\$ 99,557	\$ 154,598	\$ 26,110	\$ 133,724	\$ 159,834

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

INSIDE OUT COMMUNITY ARTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Program Service						Supporting Services				
	Special Needs Programs	Neighborhood Arts Project	The School Project	LA Bridges	Master Training Program	Festivals, Outreach, and Other Programs	Total Program Service	Management & General	Fund- Raising	Total Supporting Services	Total Expenses
Co-Directors	\$ 1,059	\$ 13,901	\$ 23,646	\$ 3,683	\$ 8,944	\$ 13,152	\$ 64,385	\$ 13,302	\$ 16,538	\$ 29,840	\$ 94,225
Administrative staff	2,379	37,389	52,590	9,732	7,015	12,110	121,215	16,108	25,637	41,745	162,960
Employee benefits	85	1,509	2,890	354	601	1,306	6,745	2,676	2,950	5,626	12,371
Payroll taxes	405	5,467	8,092	1,173	1,598	3,469	20,204	5,166	4,359	9,525	29,729
Artist fees	8,700	31,948	41,522	7,265	6,350	13,590	109,375	-	-	-	109,375
Bank/credit card fees	-	-	-	-	-	119	119	1,091	56	1,147	1,266
Bad debt	-	-	-	-	-	3,647	3,647	-	-	-	3,647
Contributed items	411	15,879	28,703	1,700	1,820	11,467	59,981	4,707	6,059	10,766	70,746
Depreciation	50	4,249	1,404	251	301	451	6,706	702	953	1,655	8,361
Dues and subscriptions	-	-	-	-	-	-	-	751	945	1,696	1,696
Equipment rental	6	72	234	9	-	10,596	10,917	180	338	518	11,435
Equipment maintenance	12	173	233	38	37	95	588	637	177	814	1,402
Food & beverage	200	2,137	2,884	36	76	575	5,908	2,777	6,449	9,226	15,134
Insurance	140	1,072	2,027	93	-	1,165	4,497	2,316	699	3,015	7,512
Interest expense	2	8	11	1	-	7	29	192	6	198	227
Professional	-	-	-	-	-	-	-	4,525	-	4,525	4,525
Miscellaneous	-	-	400	-	-	3,139	3,539	3,587	100	3,587	7,126
Outside service	1,796	5,435	8,145	542	24,558	7,510	47,985	8,839	6,942	15,781	63,766
Postage & delivery	13	116	110	-	-	1,511	1,750	555	8,540	9,095	10,845
Printing, copying, video	14	322	940	113	87	807	2,283	1,686	1,489	3,175	5,458
Rent - office	155	7,102	3,817	310	155	1,924	13,463	1,186	1,086	2,272	15,735
Rent - theater & camp	-	160	14,939	-	-	235	15,334	-	-	-	15,334
Supplies	520	2,354	6,987	765	216	1,838	12,680	6,255	1,024	7,279	19,959
Telephone	31	428	748	108	161	246	1,722	624	557	1,181	2,903
Travel	31	556	1,860	172	50	336	3,005	1,283	722	2,005	5,010
Total expenses	\$ 16,009	\$ 130,277	\$ 202,182	\$ 26,345	\$ 51,969	\$ 89,295	\$ 516,077	\$ 79,145	\$ 85,626	\$ 164,771	\$ 680,848

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

INSIDE OUT COMMUNITY ARTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Program Service						Supporting Services				
	Metro State Hospital	Neighborhood Arts Project	The School Project	LA Bridges	Master Training Program	Festivals, Outreach, and Other Programs	Total Program Service	Management & General	Fund- Raising	Total Supporting Services	Total Expenses
Co-Directors	\$ 1,467	\$ 21,634	\$ 28,101	\$ 1,646	\$ 4,533	\$ 13,876	\$ 71,258	\$ 9,795	\$ 14,480	\$ 24,275	\$ 95,533
Administrative staff	2,043	31,099	36,712	3,232	2,409	16,094	91,589	27,215	24,842	52,057	143,646
Employee benefits	240	3,067	2,911	32	25	1,795	8,070	3,175	3,284	6,459	14,529
Payroll taxes	689	6,773	8,556	627	646	3,494	20,785	4,924	4,588	9,512	30,297
Artist fees	6,100	26,133	39,763	4,765	350	12,810	89,921	-	-	-	89,921
Bank/credit card fees	-	-	-	-	-	32	32	360	1,095	1,455	1,487
Bad debt	-	2,500	-	-	-	-	2,500	-	-	-	2,500
Contributed items	154	10,877	25,090	32	16	3,961	40,130	2,028	2,945	4,973	45,103
Depreciation	27	2,914	733	136	163	272	4,245	380	516	896	5,141
Dues and subscriptions	1	13	13	-	-	12	39	345	174	519	558
Equipment rental	21	239	343	15	-	11,328	11,946	177	4,278	4,455	16,401
Equipment maintenance	39	468	493	23	15	245	1,283	354	433	787	2,070
Food & beverage	174	1,433	2,002	4	-	2,026	5,639	1,398	2,146	3,544	9,183
Insurance	239	2,077	2,208	235	-	1,597	6,356	2,497	812	3,309	9,665
Interest expense	-	-	-	-	-	-	-	1,850	-	1,850	1,850
Professional	-	-	-	-	-	-	-	4,150	-	4,150	4,150
Miscellaneous	60	446	1,014	92	-	379	1,991	427	-	427	2,418
Outside service	825	3,539	5,362	183	17,503	3,242	30,654	3,580	17,056	20,636	51,290
Postage & delivery	46	623	1,511	22	5	1,846	4,053	195	2,887	3,082	7,135
Printing, copying, video	5	303	644	25	9	664	1,650	-	3,252	3,252	4,902
Rent - office	97	4,916	2,129	153	17	1,312	8,624	3,036	681	3,717	12,341
Rent - theater & camp	-	-	15,908	-	-	1,781	17,689	-	-	-	17,689
Supplies	523	3,072	5,328	348	32	3,649	12,952	1,917	2,590	4,507	17,459
Telephone	41	512	544	35	26	247	1,405	390	471	861	2,266
Travel	212	252	854	6	9	601	1,934	699	3,207	3,906	5,840
Total expenses	\$ 13,003	\$ 122,890	\$ 180,219	\$ 11,611	\$ 25,758	\$ 81,263	\$ 434,745	\$ 68,892	\$ 89,737	\$ 158,629	\$ 593,374

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

INSIDE OUT COMMUNITY ARTS, INC.

STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ (5,236)	\$ 36,653
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of equipment not providing cash	-	(12,301)
Depreciation	8,361	5,141
(Increase) decrease in:		
Accounts receivable	35,293	(40,815)
Grants receivable	5,680	(4,300)
Prepaid expenses	537	334
Deposits	-	2,841
Increase (decrease) in:		
Accounts payable	(3,777)	18,161
Payroll and related taxes	3,175	6,993
Deferred revenue	(8,334)	4,434
Net cash provided by operating activities	<u>35,699</u>	<u>17,141</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(11,003)</u>	<u>(6,978)</u>
Net cash used by investing activities	<u>(11,003)</u>	<u>(6,978)</u>
Cash flows from financing activities:		
Principal payments on note payable	(4,700)	-
Proceeds from line of credit draws	-	20,717
Principal payments on line of credit	<u>(12,088)</u>	<u>(8,629)</u>
Net cash provided (used) by financing activities	<u>(16,788)</u>	<u>12,088</u>
Net increase in cash	7,908	22,251
Cash at beginning of year	<u>49,792</u>	<u>27,541</u>
Cash at end of year	<u>\$ 57,700</u>	<u>\$ 49,792</u>
Supplemental disclosures:		
Interest paid	<u>\$ 227</u>	<u>\$ 1,850</u>
Equipment acquired through contributions	<u>\$ -</u>	<u>\$ 12,301</u>

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

INSIDE OUT COMMUNITY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

1. NATURE OF ORGANIZATION

Inside Out Community Arts, Inc. (The Organization) is a nonprofit organization incorporated in California in 1997. The Organization's purpose is to conduct community festivals, programs and events relating to the performing arts in schools, hospitals, and other facilities throughout Los Angeles. The Organization operates after school programs for preteen and teenage students who are at-risk or vulnerable to joining a gang, and /or have problems in school and/or at home. The Organization sends theatrical, visual, and musical artists out to sites to lead groups of students and teach these students the performing arts. At the end of each session of twelve to twenty weeks, the students work together to write and perform a play in front of a live audience. The Organization's support comes primarily from contributions, grants, and earned income related to community festivals and programs provided to schools, hospitals and community centers.

The Organization is tax-exempt under Internal Revenue Code section 501(c)(3).

The Organization receives income from individuals, foundations, corporations and governmental agencies, primarily in the Los Angeles, California area.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Organization uses accrual basis accounting.

Cash

Cash is cash in banks and a 30-day certificate of deposit.

Promises receivable

Unconditional promises to give are recognized as revenue or gains in the period received as either assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions, restricted contributions and reclassifications

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are satisfied in the year in which the contributions are recognized. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and equipment

Property and equipment are capitalized at cost or estimated fair market value at date of gift, and depreciated on a straight-line basis over estimated useful lives of 5 years.

INSIDE OUT COMMUNITY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

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.

Classes of net assets

Unrestricted net assets include amounts available to be used at the discretion of the board in the Organization's programs and operations and those resources invested in equipment. Temporarily restricted net assets are those that are restricted by donors for specific operating purposes. All donations are considered available for unrestricted use, unless specifically restricted by the donor.

Contributed services and products

During the year ended September 30, 2007 a variety of items were donated to the Organization such as food, office supplies, art supplies, scholarships, and the contributed use of facilities. These contributed items are used in all the Organizations programs as well as administration and fundraising. Noncash income consisted of \$57,660 of products, and \$13,087 of contributed facilities. Special event support revenue includes \$5,098 of contributed special events direct benefits.

Not reflected in these financial statements are many hours of service volunteered to the Organization by persons assisting the Organization's programs in capacities, which are not of a professional nature.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

Accounts receivable are amounts due from businesses, a school and other nonprofit corporations.

4. GRANTS RECEIVABLE

Grants receivable are all due within one year. The grants consist of:

<u>Source</u>	<u>Amount</u>
Governmental grants	\$ 70,520
Corporations	3,000
Other nonprofit organizations	5,000
Private foundations	<u>16,000</u>
Total	<u>\$ 94,520</u>

INSIDE OUT COMMUNITY ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

5. OPERATING LEASES

The Organization has an operating lease on office space in Venice, California with a term of 3 years beginning on July 1, 2007 and ending on June 30, 2010. The lessor or lessee can terminate the lease with six months notice. Therefore the only required future payments are \$11,004 for the year ended September 30, 2008. The monthly rental rate of \$1,834 will increase by the change in the Consumer Price Index on the anniversary date of the lease. A second lease, with a \$500 monthly rent, for use of a conference / storage room began on May 1, 2007 and ends on April 30, 2008. The required future lease payments for this lease are \$3,500. Lease payments for the year were \$15,621.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of:

<u>Program</u>	<u>Amount</u>
The School Project	\$66,853
Master Training Program and General Training	<u>32,704</u>
Total	<u>\$99,557</u>

7. SPECIAL EVENTS

The Organization conducted a music and food event. Support received from this special event was \$45,307 less \$5,398 in direct benefits provided to participants. All costs related to publicity, travel, salaries, and administration of this event have been included in fundraising.

8. CONCENTRATIONS

The Organization maintains cash in a bank located in Southern California. The deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. At September 30, there was no amount in excess of insured limits based on actual bank balances. At other times during the year balances exceeded insurance limits.