

**Inside Out Community Arts, Inc.**

Financial Statements

September 30, 2008

**BYEMAN & CLEARY**  
CERTIFIED PUBLIC ACCOUNTANTS

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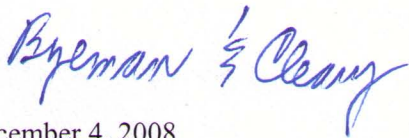
Board of Directors  
Inside Out Community Arts, Inc.  
Venice, California

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statements of financial position of Inside Out Community Arts, Inc. as of September 30, 2008 and 2007, 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, 2008 and 2007 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.



December 4, 2008

# INSIDE OUT COMMUNITY ARTS, INC.

## STATEMENTS OF FINANCIAL POSITION

	<u>ASSETS</u>	
	September 30,	
	<u>2008</u>	<u>2007</u>
<b>Current assets:</b>		
Cash	\$ 128,240	\$ 57,700
Accounts receivable	22,000	10,789
Grants receivable	185,750	94,520
Prepaid expense	<u>1,447</u>	<u>974</u>
<b>Total current assets</b>	<u>337,437</u>	<u>163,983</u>
<b>Property and equipment:</b>		
Office equipment	39,433	20,696
Program equipment	28,490	19,538
Vehicle	11,801	11,801
Less: accumulated depreciation	<u>(38,084)</u>	<u>(25,530)</u>
<b>Net property and equipment</b>	<u>41,640</u>	<u>26,505</u>
<b>Other assets:</b>		
Grants receivable - non - current portion	<u>75,000</u>	<u>-</u>
<b>Total other assets</b>	<u>75,000</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 454,077</u>	<u>\$ 190,488</u>
	<b><u>LIABILITIES AND NET ASSETS</u></b>	
<b>Current liabilities:</b>		
Accounts payable	\$ 16,047	\$ 20,846
Accrued payroll	<u>20,755</u>	<u>15,044</u>
<b>Total current liabilities</b>	<u>36,802</u>	<u>35,890</u>
<b>Net assets:</b>		
Unrestricted	241,495	55,041
Temporarily restricted	<u>175,780</u>	<u>99,557</u>
<b>Total net assets</b>	<u>417,275</u>	<u>154,598</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 454,077</u>	<u>\$ 190,488</u>

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

# INSIDE OUT COMMUNITY ARTS, INC.

## STATEMENTS OF ACTIVITIES

<b><u>SUPPORT AND REVENUE:</u></b>	Year Ended September 30, 2008			Year Ended September 30, 2007		
	Temporarily			Temporarily		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Contributions and grants:						
Government grants	\$ 107,800	\$ -	\$ 107,800	\$ 2,000	\$ 86,120	\$ 88,120
Foundations	321,500	160,500	482,000	66,500	90,500	157,000
Corporate foundations	25,050	35,300	60,350	-	14,000	14,000
Corporations	53,949	35,000	88,949	51,856	79,942	131,798
Individuals	62,580	45,109	107,689	92,347	125	92,472
Special events support	53,111	-	53,111	47,063	-	47,063
Special events direct benefit costs	-	-	-	(5,398)	-	(5,398)
Contributed services & products	66,180	-	66,180	70,747	-	70,747
Program service fees:						
Special needs programs	121,564	-	121,564	74,128	-	74,128
Interest income	976	-	976	1,239	-	1,239
Miscellaneous	6,509	-	6,509	4,443	-	4,443
	819,219	275,909	1,095,128	404,925	270,687	675,612
Net assets released due to satisfaction of restrictions	199,686	(199,686)	-	304,854	(304,854)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,018,905</b>	<b>76,223</b>	<b>1,095,128</b>	<b>709,779</b>	<b>(34,167)</b>	<b>675,612</b>
<b><u>EXPENSES:</u></b>						
Program service:						
Special needs programs	45,659	-	45,659	16,009	-	16,009
Neighborhood Arts Project	161,232	-	161,232	130,277	-	130,277
The School Project - Note 8	276,940	-	276,940	202,182	-	202,182
LA Bridges	-	-	-	26,345	-	26,345
Master Training Program	-	-	-	51,969	-	51,969
Festivals, outreach, and other programs	169,192	-	169,192	89,295	-	89,295
Total program	653,023	-	653,023	516,077	-	516,077
Management and general	95,133	-	95,133	79,145	-	79,145
Fundraising efforts	84,295	-	84,295	85,626	-	85,626
<b>TOTAL EXPENSES</b>	<b>832,451</b>	<b>-</b>	<b>832,451</b>	<b>680,848</b>	<b>-</b>	<b>680,848</b>
CHANGE IN NET ASSETS	186,454	76,223	262,677	28,931	(34,167)	(5,236)
NET ASSETS AT BEGINNING OF YEAR	55,041	99,557	154,598	26,110	133,724	159,834
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 241,495</b>	<b>\$ 175,780</b>	<b>\$ 417,275</b>	<b>\$ 55,041</b>	<b>\$ 99,557</b>	<b>\$ 154,598</b>

*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, 2008

	Program Services				Supporting Services				
	Special Needs Programs	Neighborhood Arts Project	The School Project	Festivals, Outreach, and Other Programs	Total Program Services	Management & General	Fund- Raising	Total Supporting Services	Total Expenses
Wages	\$ 21,315	\$ 68,631	\$ 88,899	\$ 40,227	\$ 219,072	\$ 44,499	\$ 48,271	\$ 92,770	\$ 311,842
Employee benefits	800	2,893	3,902	1,563	9,158	2,110	2,161	4,271	13,429
Payroll taxes	1,887	6,225	8,095	3,555	19,762	4,050	4,485	8,535	28,297
Artist fees	14,790	41,450	88,919	10,190	155,349	-	-	-	155,349
Bank/credit card fees	-	-	15	10	25	1,211	5	1,216	1,241
Contributed items	1,321	12,288	20,035	9,222	42,866	1,915	14,149	16,064	58,930
Depreciation	753	2,762	3,641	1,506	8,662	1,883	2,009	3,892	12,554
Dues and subscriptions	-	-	-	-	-	618	810	1,428	1,428
Equipment rental	8	30	375	12,416	12,829	106	22	128	12,957
Equipment maintenance	121	463	617	253	1,454	811	335	1,146	2,600
Food & beverage	154	2,054	3,043	1,195	6,446	2,904	1,745	4,649	11,095
Insurance	782	3,223	5,749	2,837	12,591	2,368	1,633	4,001	16,592
Interest expense	-	-	-	-	-	694	-	694	694
Professional	-	-	-	19,594	19,594	-	-	-	19,594
Contract performers	-	-	-	33,000	33,000	-	-	-	33,000
Miscellaneous	-	7	-	2,669	2,676	1,956	78	2,034	4,710
Outside services	556	2,832	4,322	6,739	14,449	17,743	1,839	19,582	34,031
Postage & delivery	89	264	395	3,415	4,163	742	924	1,666	5,829
Print, copy, video costs	21	97	696	12,149	12,963	504	891	1,395	14,358
Rent	881	13,211	8,260	3,563	25,915	2,355	1,468	3,823	29,738
Rent - theater & camp	-	10	25,249	-	25,259	-	-	-	25,259
Supplies	1,799	3,971	12,375	4,528	22,673	6,093	1,799	7,892	30,565
Telephone & internet	161	515	756	339	1,771	1,093	312	1,405	3,176
Travel	221	306	1,597	222	2,346	1,478	1,359	2,837	5,183
<b>Total expenses</b>	<b>\$ 45,659</b>	<b>\$ 161,232</b>	<b>\$ 276,940</b>	<b>\$ 169,192</b>	<b>\$ 653,023</b>	<b>\$ 95,133</b>	<b>\$ 84,295</b>	<b>\$ 179,428</b>	<b>\$ 832,451</b>

*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 Services						Supporting Services				
	Special Needs Programs	Neighborhood Arts Project	The School Project	LA Bridges	Master Training Program	Festivals, Outreach, and Other Programs	Total Program Services	Management & General	Fund- Raising	Total Supporting Services	Total Expenses
Wages	\$ 3,438	\$ 51,290	\$ 76,236	\$ 13,415	\$ 15,959	\$ 25,262	\$ 185,600	\$ 29,410	\$ 42,175	\$ 71,585	\$ 257,185
Employee benefits	85	1,509	2,890	354	601	1,306	6,745	2,676	2,950	5,626	12,371
Payroll taxes	211	4,261	5,830	1,004	1,388	3,149	15,843	3,352	3,624	6,976	22,819
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	286	575	6,118	2,777	6,449	9,226	15,344
Insurance	334	2,278	4,289	262	-	1,485	8,648	4,130	1,434	5,564	14,212
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 services	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
Print, copy, 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 & internet	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
<b>Total expenses</b>	<b>\$ 16,009</b>	<b>\$ 130,277</b>	<b>\$ 202,182</b>	<b>\$ 26,345</b>	<b>\$ 51,969</b>	<b>\$ 89,295</b>	<b>\$ 516,077</b>	<b>\$ 79,145</b>	<b>\$ 85,626</b>	<b>\$ 164,771</b>	<b>\$ 680,848</b>

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

# INSIDE OUT COMMUNITY ARTS, INC.

## STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2008	2007
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 262,677	\$ (5,236)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of equipment not providing cash	(7,250)	-
Depreciation	12,554	8,361
(Increase) decrease in:		
Accounts receivable	(11,211)	35,293
Grants receivable	(166,230)	5,680
Prepaid expenses	(473)	537
Increase (decrease) in:		
Accounts payable	(4,799)	(3,777)
Payroll	5,711	3,175
Deferred revenue	-	(8,334)
<b>Net cash provided by operating activities</b>	<u>90,979</u>	<u>35,699</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	<u>(20,439)</u>	<u>(11,003)</u>
<b>Net cash used by investing activities</b>	<u>(20,439)</u>	<u>(11,003)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on note payable	-	(4,700)
Proceeds from line of credit draws	62,500	-
Principal payments on line of credit	<u>(62,500)</u>	<u>(12,088)</u>
<b>Net cash used by financing activities</b>	<u>-</u>	<u>(16,788)</u>
<b>Net increase in cash</b>	70,540	7,908
Cash at beginning of year	<u>57,700</u>	<u>49,792</u>
Cash at end of year	<u>\$ 128,240</u>	<u>\$ 57,700</u>
<b>Supplemental disclosures:</b>		
Interest paid	<u>\$ 694</u>	<u>\$ 227</u>

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

# **INSIDE OUT COMMUNITY ARTS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2008

### **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, musical, and movement 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, special needs facilities, 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 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. 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, 2008

### 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 of directors 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, 2008 a variety of items were donated to the Organization such as food, office supplies, art supplies, medical services, scholarships, office and program equipment, 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 \$43,172 of products and services, and \$22,008 of contributed facilities.

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 governmental units and other nonprofit corporations.

### 4. GRANTS RECEIVABLE

Grants consist of:

<u>Source</u>	<u>Amount</u>
Governmental grants	\$ 94,800
Other nonprofit organizations	4,000
Private foundations	<u>161,950</u>
Total	<u>\$ 260,750</u>

# INSIDE OUT COMMUNITY ARTS, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

Of the total grant receivable amount of \$260,750, \$187,500 is due within one year and \$75,000 is due within two years. The discount on the two year portion has not been recorded as it is immaterial.

### **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 \$11,280 for the year ended September 30, 2009. The monthly rental rate of \$1,880 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 ended on April 30, 2008. No new lease was signed and the \$500 rent continues on a month - to - month basis. A third lease requires monthly payments of \$675 for the period August 1, 2008 to July 31, 2009. The required future lease payment for this lease is \$6,750. Total lease payments for the year were \$29,658.

### **6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of September 30, 2008 consist of:

<u>Program</u>	<u>Amount</u>
Pledges due beyond one year	\$ 75,000
The School Project	47,391
Movement studio operations	34,273
Youth video production project	19,116
Total	<u>\$175,780</u>

### **7. 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 \$45,262 in excess of insured limits based on actual bank balances. At other times during the year balances exceeded insurance limits. Subsequent to September 30, 2008, the insurance limit was increased to \$250,000.

One private foundation gave approximately 16 percent of total income. Additionally, a substantial portion of income comes from Southern California.

### **8. STATEMENT OF FUNCTIONAL EXPENSES**

In 2007 the statement of functional expenses reported expenses in the programs titled LA Bridges and Master Training Program. These two programs continue to exist but have been combined in the Special Needs Program and the Festival, Outreach, and Other Programs in the 2008 statement of functional expenses.