

*Financial Statements*  
*Years Ended*  
*June 30, 2011 and 2010*

*Petersburg Area Art League*



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

*Petersburg Area Art League*

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## *Independent Accountants' Review Report*

Board of Directors  
*Petersburg Area Art League*

We have reviewed the accompanying statement of financial position of *Petersburg Area Art League* (a not-for-profit corporation) as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of *Petersburg Area Art League's* 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, we do not express such an opinion. The 2010 financial statements of *Petersburg Area Art League* were reviewed by Goodman & Company, LLP, who merged into Dixon Hughes Goodman LLP as of April 1, 2011, and whose report dated August 9, 2010, stated that based on their procedures, they are not aware of any material modifications that should be made to the 2010 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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.

Our 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 us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the 2011 financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2011 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

Chester, Virginia  
August 25, 2011

*Petersburg Area Art League*

*Statements of Financial Position*

<b>June 30,</b>	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 12,823	\$ 20,244
<b>Collections (note 7)</b>	-	-
<b>Property and equipment - net</b>	<u>837,828</u>	<u>824,584</u>
	<u>\$ 850,651</u>	<u>\$ 844,828</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	<u>\$ 1,366</u>	<u>\$ 1,459</u>
<b>Net assets</b>		
Unrestricted	846,636	827,869
Temporarily restricted	<u>2,649</u>	<u>15,500</u>
Total net assets	<u>849,285</u>	<u>843,369</u>
	<u>\$ 850,651</u>	<u>\$ 844,828</u>

*See accompanying notes and independent accountants' review report.*

*Petersburg Area Art League*

*Statements of Activities*

<b>Years Ended June 30,</b>	<b>2011</b>	<b>2010</b>
<b>Unrestricted net assets</b>		
Support and revenue:		
Contributions	\$ 23,995	\$ 9,985
Membership dues	14,525	14,408
Art classes and sales of paintings	10,269	10,485
Fundraising	9,814	19,721
Interest and dividends	122	119
Grant income	-	677
Total support and revenue	<u>58,725</u>	<u>55,395</u>
Net assets released from restrictions	<u>36,796</u>	<u>-</u>
Total support, revenue and reclassifications	<u>95,521</u>	<u>55,395</u>
Expenses:		
Program services	58,392	57,328
Administrative and general	13,093	14,967
Fundraising	5,269	9,576
Total expenses	<u>76,754</u>	<u>81,871</u>
Change in unrestricted net assets	<u>18,767</u>	<u>(26,476)</u>
<b>Temporarily restricted net assets</b>		
Contributions	23,945	15,500
Restrictions satisfied by payments	<u>(36,796)</u>	<u>-</u>
Change in temporarily restricted net assets	<u>(12,851)</u>	<u>15,500</u>
<b>Change in net assets</b>	<b>5,916</b>	<b>(10,976)</b>
<b>Net assets - beginning of year</b>	<u>843,369</u>	<u>854,345</u>
<b>Net assets - end of year</b>	<u>\$ 849,285</u>	<u>\$ 843,369</u>

*See accompanying notes and independent accountants' review report.*

*Petersburg Area Art League*  
*Schedules of Functional Expenses*

*June 30, 2011 and 2010*

*(Next Pages)*

*Petersburg Area Art League*

*Schedules of Functional Expenses*

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Years Ended June 30,	2011			
	Program Services	Administrative and General	Fundraising	Total
<b>Salaries and benefits</b>	\$ 13,366	\$ 1,671	\$ 1,671	\$ 16,708
<b>Operating</b>				
Depreciation	21,685	-	-	21,685
Utilities	9,426	2,356	-	11,782
Office expense	2,541	1,270	1,270	5,081
Professional fees	-	4,300	-	4,300
Insurance	1,997	1,997	-	3,994
Repairs and maintenance	2,909	-	-	2,909
Fundraising	-	-	2,328	2,328
Art park	1,867	-	-	1,867
Art instructors	1,826	-	-	1,826
Taxes and licenses	662	663	-	1,325
Security system	419	420	-	839
Artist commission	837	-	-	837
Bank fees	395	395	-	790
Reception	377	-	-	377
Awards and membership	85	21	-	106
Total operating	45,026	11,422	3,598	60,046
 Total	 \$ 58,392	 \$ 13,093	 \$ 5,269	 \$ 76,754

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2010

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Program Services	Administrative and General	Fundraising	Total
\$ 13,268	\$ 1,658	\$ 1,658	\$ 16,584
20,407	-	-	20,407
11,212	2,803	-	14,015
2,697	1,349	1,349	5,395
-	5,550	-	5,550
2,236	2,236	-	4,472
2,944	-	-	2,944
-	-	6,569	6,569
-	-	-	-
-	-	-	-
463	463	-	926
420	419	-	839
1,766	-	-	1,766
485	484	-	969
1,410	-	-	1,410
20	5	-	25
44,060	13,309	7,918	65,287
\$ 57,328	\$ 14,967	\$ 9,576	\$ 81,871

*See accompanying notes and independent accountants' review report.*



*Petersburg Area Art League*

*Statements of Cash Flows*

<b>Years Ended June 30,</b>	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 5,916	\$ (10,976)
Adjustments to reconcile to net cash from operating activities:		
Depreciation expense	21,685	20,407
Change in:		
Grants receivable	-	36,553
Accounts payable and accrued expenses	(93)	(39,225)
<b>Net cash from operating activities</b>	<u>27,508</u>	<u>6,759</u>
<b>Cash flows from investing activities</b>		
Payments for land improvements	(34,929)	-
Payments for renovations	-	(677)
<b>Net cash from investing activities</b>	<u>(34,929)</u>	<u>(677)</u>
<b>Net change in cash and cash equivalents</b>	(7,421)	6,082
<b>Cash and cash equivalents - beginning of year</b>	<u>20,244</u>	<u>14,162</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 12,823</u>	<u>\$ 20,244</u>

*See accompanying notes and independent accountants' review report.*

# *Petersburg Area Art League*

## *Notes to Financial Statements*

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June 30, 2011 and 2010

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### 1. Organization and Nature of Activities

*Petersburg Area Art League* (Organization) is a not-for-profit Virginia corporation. The Organization seeks to promote and nurture the visual arts in the Petersburg area. The Organization was started in 1932 and is located in Petersburg, Virginia.

### 2. Summary of Significant Accounting Policies

The financial statements of *Petersburg Area Art League* have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America; revenue and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### **Basis of Presentation**

The financial statements report amounts separately by classes of net assets as follows:

**Unrestricted** amounts are those currently available at the discretion of the Board of Directors for use in operations and those resources invested in property or equipment.

**Temporarily restricted** amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of property and equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Permanently restricted** amounts are those restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation. The Organization currently has no permanently restricted net assets.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

#### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents are considered to be checking and savings accounts maintained at financial institutions.

#### **Property and Equipment**

Donated improvements and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Improvements purchased are recorded at cost. Major additions and betterments are capitalized. The cost of maintenance and repairs is expensed currently. Depreciation is provided using the straight-line method over estimated useful lives as follows:

Building and renovations	15 - 39 years
Land improvements	15 years

### **Income Taxes**

The Organization is a qualifying nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code, and the tax statutes of the Commonwealth of Virginia; and therefore, is exempt from federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2011 and 2010. Years ending on or after June 30, 2009 remain subject to examination by federal and state tax authorities.

### **Donated Services**

No amounts have been reflected in the financial statements for donated services since the criteria for recognition has not been met under accounting principles generally accepted in the United States of America.

### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

### **Functional Expenses**

The Organization allocates its expenses, on a functional basis, among its various programs and supporting services. Expenses that relate to a specific program or supporting services are allocated directly. Other expenses that are common to several functions are allocated statistically.

### **Credit Risk**

Financial instruments that potentially subject the Organization to concentration of credit risk consist of interest-bearing transaction accounts. The Organization places its interest-bearing transaction accounts with a high credit quality financial institution. On June 30, 2011 and 2010, there were no balances in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

### **Advertising**

The Organization follows the policy of charging the costs of advertising to expense as incurred. The Organization had no advertising expense during 2011 and 2010.

## Sales Tax Policy

Certain of the Organization's sales are subject to sales tax imposed by various jurisdictions. The Organization collects that sales tax from customers and remits it to the applicable jurisdiction. The Organization's accounting policy is to exclude the tax collected and remitted from sales.

## Collections

Collections of art, which are acquired through purchase and contribution since the Organization's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the item is acquired. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries, if any, are reflected as increases in net assets.

## Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 25, 2011, the date the financial statements were available to be issued.

### 3. Property and Equipment

Property and equipment consisted of the following:

	<u>2011</u>	<u>2010</u>
Building	\$ 95,766	\$ 95,766
Land	14,400	14,400
Land improvements	34,929	-
Renovations	<u>830,591</u>	<u>830,591</u>
	975,686	940,757
Less - accumulated depreciation	<u>(137,858)</u>	<u>(116,173)</u>
	<u>\$ 837,828</u>	<u>\$ 824,584</u>

### 4. Net Assets Released from Restrictions

Net assets were released from donor restrictions as detailed below:

	<u>2011</u>	<u>2010</u>
Art Park	<u>\$ 36,796</u>	<u>\$ -</u>

### 5. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2011</u>	<u>2010</u>
Art Park	<u>\$ 2,649</u>	<u>\$ 15,500</u>

## 6. Grants Awarded

During 2008, a conditional grant was awarded by Cameron Foundation to the Virginia State University Foundation (VSUF) on behalf of the Organization, for capital improvements, staff salary, and general operating costs related to the promotion of art in Petersburg. The grant is a dual initiative for the Organization and VSUF in the amount of \$ 750,000 to be paid outright with up to \$750,000 more to be paid as a matching grant to the extent that VSUF and the Organization are able to obtain funds from outside sources at a 1 to 1 ratio. At June 30, 2011 and 2010, \$830,591 of this grant money had been spent by the Organization for capital improvements and recorded as income in 2008, 2009, and 2010.

## 7. Collections

The Organization does not capitalize its collections. The collections are made up of various works of art. Each item is cataloged for educational and curatorial purposes and activities verifying their existence and assessing their condition are performed continuously. No items were deaccessioned in the years ended June 30, 2011 and 2010. The Organization also exhibits traveling collections owned by other organizations.

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