

**FINANCIAL STATEMENTS**  
**DELAWARE VALLEY ARTS ALLIANCE, INC.**  
**JUNE 30, 2011**

DELAWARE VALLEY ARTS ALLIANCE, INC.

JUNE 30, 2011

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**KNACK, PAVLOFF & COMPANY, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Independent Auditors' Report

To The Board of Directors of  
Delaware Valley Arts Alliance, Inc.  
Narrowsburg, New York

We have audited the accompanying statement of financial position of Delaware Valley Arts Alliance, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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 Delaware Valley Arts Alliance, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, certain conditions indicate that the Organization may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments to the financial statements that might be necessary should the Organization be unable to continue as a going concern.

*Knack, Pavloff & Company, LLP.*

Monticello, New York

December 1, 2011

**DELAWARE VALLEY ARTS ALLIANCE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2011**

<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 5,615
Temporarily Restricted Cash	3,655
Accounts Receivable	3,551
Inventory	9,335
Investments	12,871
Land	2,500
Building & Improvements	324,552
Furniture, Fixtures & Equipment	100,180
Less: Accumulated Depreciation	<u>(214,730)</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>247,529</u></b>
<b>LIABILITIES &amp; NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 9,619
Accrued Liabilities	19,991
Notes Payable	10,000
Loans Payable	38,400
Current Portion of Long-Term Debt	<u>2,964</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>80,974</b>
<b>LONG-TERM LIABILITIES</b>	
Long-Term Debt	<u>88,777</u>
<b>TOTAL LIABILITIES</b>	<b><u>169,751</u></b>
<b>NET ASSETS</b>	
Unrestricted	61,252
Temporarily Restricted	<u>16,526</u>
<b>TOTAL NET ASSETS</b>	<b><u>77,778</u></b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ <u>247,529</u></b>

**SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT**

**DELAWARE VALLEY ARTS ALLIANCE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

REVENUES, GAINS & OTHER SUPPORT	\$	26,275
Membership Dues		13,296
Contributions		17
Other Investment Income		10,340
Program Revenue		10,395
Rental Income		46,315
Special Events (Net of \$1,737 Direct Expenses)		8,247
Sales (Net of \$9,621 and \$16,972 of Commissions & Purchases)		2,230
Other Revenue		<u>87,570</u>
Net Assets Released from Restrictions		
Satisfaction of Program Restrictions		
TOTAL REVENUES, GAINS & OTHER SUPPORT		<u>204,685</u>
EXPENSES		142,885
Program Services		60,008
Management & General		<u>202,893</u>
TOTAL EXPENSES		<u>202,893</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS		<u>1,792</u>
REVENUES, GAINS & OTHER SUPPORT		2,700
Contributions		66,035
Government Grants		1,807
Other Investment Income		21,778
Private Grants & Bequests (Net of \$1,000 Direct Expenses)		<u>(87,570)</u>
Net Assets Released from Restrictions		
Satisfaction of Program Restrictions		
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS		<u>4,750</u>
INCREASE (DECREASE) IN NET ASSETS		6,542
NET ASSETS - Beginning of Year		<u>71,236</u>
NET ASSETS - End of Year	\$	<u><u>77,778</u></u>

**SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT**

**DELAWARE VALLEY ARTS ALLIANCE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 6,542
Change in Net Assets	9,357
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities	(1,807)
Depreciation	(846)
Unrealized Loss (Gain) on Investments	19,792
(Increase) Decrease in Operating Assets	765
Accounts Receivable	(1,811)
Grants Receivable	(3,370)
Inventory	5,047
Increase (Decrease) in Operating Liabilities	(1,811)
Accounts Payable	(3,370)
Accrued Liabilities	5,047
Contributions Restricted for Long-Term Purposes	5,047
Contributions Released from Temporary Restrictions	<u>33,669</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>33,669</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(480)</u>
Purchase of Fixed Assets	(480)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(480)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>(6,500)</u>
Repayment of Officer's Loan	(2,604)
Repayment of Long-Term Debt	(20,000)
Repayment of Line of Credit	<u>(29,104)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(29,104)</u>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	4,085
<b>CASH &amp; CASH EQUIVALENTS - Beginning of Year</b>	<u>1,530</u>
<b>CASH &amp; CASH EQUIVALENTS - End of Year</b>	<u>\$ 5,615</u>

**SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT**

**DELAWARE VALLEY ARTS ALLIANCE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
EXPENSES			
Scholarships	\$ 1,850	\$ -	\$ 1,850
Travel	57	111	168
Salaries & Wages	80,915	8,991	89,906
Payroll Taxes	6,191	688	6,879
Professional Fees	599	20,431	21,030
Outside Artists	12,679	-	12,679
Equipment Rental	1,949	335	2,284
Repairs & Maintenance	810	3,734	4,544
Printing & Advertising	10,113	497	10,610
Postage & Shipping	1,241	843	2,084
Telephone	1,365	442	1,807
Utilities	7,263	1,729	8,992
Insurance	6,340	3,492	9,832
Supplies	5,253	1,745	6,998
Dues & Fees	236	321	557
Taxes	-	1,233	1,233
Rent	1,200	-	1,200
Interest	750	7,613	8,363
Depreciation	3,532	5,825	9,357
Miscellaneous	542	122	664
Credit Card Processing	-	1,856	1,856
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL EXPENSES	\$ <u>142,885</u>	\$ <u>60,008</u>	\$ <u>202,893</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

**DELAWARE VALLEY ARTS ALLIANCE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

Delaware Valley Arts Alliance, Inc. (DVAA) is a New York not-for-profit corporation. Its purpose is the development of local artists and arts programs. It also acts as a conduit of funds from the New York State Council on the Arts to local cultural organizations.

**PUBLIC SUPPORT AND REVENUE**

DVAA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are to be reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

**PROPERTY AND EQUIPMENT**

It is the Organization's policy to capitalize all property and equipment costs. Individual assets are recorded at cost or, if donated, at estimated fair market value at the date received. Depreciation is provided over the estimated useful lives of the individual assets on a straight-line basis.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.



**DELAWARE VALLEY ARTS ALLIANCE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INCOME TAX STATUS**

DVAA is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had a profit from unrelated business activity for the year ended June 30, 2011.

**FINANCIAL STATEMENT PRESENTATION**

The Organization 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.

**CASH AND CASH EQUIVALENTS**

For purpose of the financial statements, cash and cash equivalents are considered to be all unrestricted highly liquid investments with maturities of three months or less at the time of acquisition.

**INVENTORY**

Inventory consists of items for sale through the unrelated business segment of the Organization. They are stated at the lower of cost (first-in, first-out basis) or market.

**INVESTMENTS**

DVAA adopted SFAS No. 124, "Accounting For Certain Investments Held By Not-For-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**NOTE 2 - DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 1, 2011, the date that the financial statements were available to be issued.

**DELAWARE VALLEY ARTS ALLIANCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 3 - INVESTMENTS**

Investments at June 30, 2011 are composed of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Corporate Stocks and Bonds	\$ 1,022	\$ 396	\$ (626)
Mutual Funds (Temporarily Restricted)	<u>10,083</u>	<u>12,475</u>	<u>\$ 2,392</u>
Total Investments	<u>\$11,105</u>	<u>\$ 12,871</u>	<u>\$ 1,766</u>

The following schedule summarizes the investment income and its classification in the statement of activities for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and Dividend Income	\$ 17	\$ -	\$ 17
Net Realized and Unrealized Gain (Loss)	<u>1,807</u>	<u>-</u>	<u>1,807</u>
Total Investment Income	<u>\$ 1,824</u>	<u>\$ -</u>	<u>\$ 1,824</u>

**NOTE 4 – FAIR VALUE MEASUREMENT**

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2011 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Corporate Stocks and Bonds	\$ 396	\$ 396	\$ -	\$ -
Mutual Funds (Temporarily Restricted)	<u>12,475</u>	<u>12,475</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$12,871</u>	<u>\$ 12,871</u>	<u>\$ -</u>	<u>\$ -</u>

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended June 30, 2011.

Short-term investments and long-term investments are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

**DELAWARE VALLEY ARTS ALLIANCE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 5 - NOTES PAYABLE**

DVAA has the following notes payable at June 30, 2011:

	2011
The First National Bank of Jeffersonville, Line of Credit of \$30,000, payable at anytime. Interest rate is 5%.	\$ 10,000

**NOTE 6 - LOANS PAYABLE**

The loan payable is a no interest loan from a related party. The balance at June 30, 2011 is as follows:

	2011
Elaine Giguere                      Executive Director	\$ 38,400

No formal due date nor repayment schedule exists.

**NOTE 7 - LONG-TERM DEBT**

DVAA has the following long-term debt as of June 30, 2011:

	2011
The First National Bank of Jeffersonville original mortgage amount of \$100,000 on January 1, 2008, payable in 240 monthly installments of \$811.97, interest at 7.5%, collateralized by real property	\$ 91,741
Current Portion of Long-Term Debt	(2,964)
Total Long-Term Debt	\$ 88,777

Maturities by year are as follows:

Fiscal year ending June 30,

2011	\$ 2,964
2012	3,194
2013	3,442
2014	3,709
2015	3,997
Thereafter	74,435
	\$ 91,741

**DELAWARE VALLEY ARTS ALLIANCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 8 - LEASE OF THEATER**

DVAA has a lease with the Town of Tusten for a movie theater in Narrowsburg, New York. The theater is used by DVAA for many of its productions and fund raising activities. The lease expires in 2011. Delaware Valley Arts Alliance pays \$100 per month plus utilities and maintenance.

**NOTE 9 - CONTINGENCIES**

DVAA receives most of its revenue from various Federal and State agencies in the form of grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by, the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs.

**NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes at June 30, 2011:

	<u>2011</u>
Scholarship	\$ 3,655
Endowment	<u>12,871</u>
<b>TOTAL</b>	<b><u>\$ 16,526</u></b>

**NOTE 11 - CASH FLOW INFORMATION**

The Organization had no noncash financing transactions during the year ending June 30, 2011.

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

The Organization paid interest during the year ended June 30, 2011 in the amount of \$8,363.

**NOTE 12 - COMPENSATED ABSENCES**

It is the policy of the Organization to compensate its employees for vacation time. The Organization has not accrued a liability for compensated absences as of June 30, 2011 as the amount is immaterial to the financial statements.

**DELAWARE VALLEY ARTS ALLIANCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 13 - GOING CONCERN UNCERTAINTY**

The Organization has experienced difficulty in obtaining sufficient unrestricted funds to provide working capital. As of June 30, 2011, the Organization's current liabilities exceeded its current assets by \$58,819 (which included indebtedness to its Executive Director of \$38,400). These factors create an uncertainty about the Organization's ability to continue as a going concern. Management has developed a new strategic plan which has set new three year fundraising goals for events, membership and business collaborations. The ability of the Organization to continue as a going concern is dependent upon the success of these efforts. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.