



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

---

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

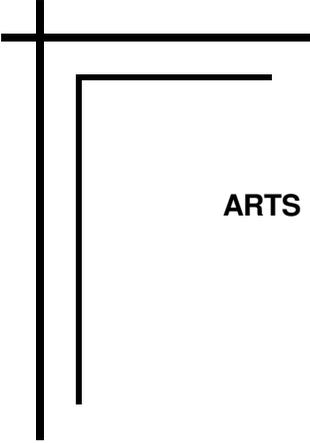
November 30, 2009

Board of Directors  
Arts Council of Indianapolis, Inc.  
and Subsidiary  
20 N. Meridian St., Ste. 500  
Indianapolis, IN 46204

We have reviewed the audit report prepared by R. J. Pile, LLC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Arts Council of Indianapolis, Inc. and Subsidiary, as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

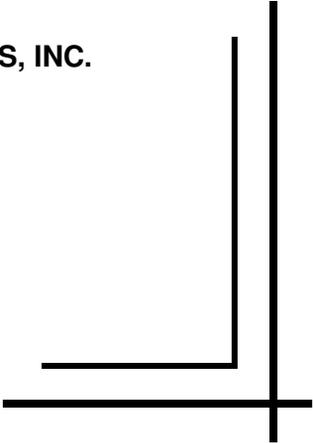
STATE BOARD OF ACCOUNTS



**ARTS COUNCIL OF INDIANAPOLIS, INC.  
AND SUBSIDIARY**

**FINANCIAL REPORT**

**December 31, 2008**



## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	3
FINANCIAL STATEMENTS:	
Consolidated Balance Sheets	4
Consolidated Statements of Activities	5 - 6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 13
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION	14
SUPPLEMENTARY INFORMATION:	
Schedules of Consolidated Functional Expenses	15

**INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS**

To the Board of Directors  
Arts Council of Indianapolis, Inc.  
and Subsidiary  
Indianapolis, Indiana

We have audited the accompanying consolidated balance sheets of Arts Council of Indianapolis, Inc. and Subsidiary as of December 31, 2008 and 2007 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arts Council of Indianapolis, Inc. and Subsidiary as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*RJPile, LLC*

Indianapolis, Indiana  
March 6, 2009

**ARTS COUNCIL OF INDIANAPOLIS, INC. AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and equivalents	\$ 766,959	\$ 752,578
Cash and equivalents - restricted	2,510,914	1,881,318
Accounts receivable	363,889	381,860
Prepaid expenses	<u>25,336</u>	<u>19,568</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>3,667,098</u></b>	<b><u>3,035,324</u></b>
<b><u>INVESTMENTS</u></b>	<b><u>279,605</u></b>	<b><u>326,972</u></b>
<b><u>PROPERTY AND EQUIPMENT</u></b>		
Artsgarden building	10,680,741	10,680,741
Artsgarden furniture and equipment	1,779,432	1,760,013
Furniture and fixtures	142,656	274,544
Leasehold improvements	<u>102,459</u>	<u>92,211</u>
	12,705,288	12,807,509
Less - accumulated depreciation	<u>(5,382,826)</u>	<u>(5,175,108)</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b><u>7,322,462</u></b>	<b><u>7,632,401</u></b>
<b><u>OTHER ASSETS</u></b>		
Security deposits	<u>20,000</u>	<u>20,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,289,165</u></b>	<b><u>\$ 11,014,697</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 30,462	\$ 74,785
Grants payable	1,289,653	1,278,973
Accrued liabilities	<u>58,765</u>	<u>14,940</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>1,378,880</u></b>	<b><u>1,368,698</u></b>
<b><u>NET ASSETS</u></b>		
Unrestricted:		
Operating	8,752,754	9,043,654
Temporarily restricted	<u>1,157,531</u>	<u>602,345</u>
<b>TOTAL NET ASSETS</b>	<b><u>9,910,285</u></b>	<b><u>9,645,999</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,289,165</u></b>	<b><u>\$ 11,014,697</u></b>

See Notes to Consolidated Financial Statements



**2007**

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 1,164,372	\$ 261,021	\$ 1,425,393
328,732	-	328,732
-	3,082,284	3,082,284
121,900	-	121,900
14,088	-	14,088
<u>(11,834)</u>	<u>-</u>	<u>(11,834)</u>
1,617,258	3,343,305	4,960,563
<u>3,948,434</u>	<u>(3,948,434)</u>	<u>-</u>
<u>5,565,692</u>	<u>(605,129)</u>	<u>4,960,563</u>
5,674,634	-	5,674,634
<u>143,669</u>	<u>-</u>	<u>143,669</u>
<u>5,818,303</u>	<u>-</u>	<u>5,818,303</u>
(252,611)	(605,129)	(857,740)
<u>9,296,265</u>	<u>1,207,474</u>	<u>10,503,739</u>
<u>\$ 9,043,654</u>	<u>\$ 602,345</u>	<u>\$ 9,645,999</u>

**ARTS COUNCIL OF INDIANAPOLIS, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Increase (decrease) in net assets	\$ 264,286	\$ (857,740)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	385,983	416,498
Realized and unrealized (gain) loss	59,587	(2,254)
Changes in certain assets and liabilities:		
Restricted cash	(629,596)	609,056
Accounts receivable	17,971	39,934
Prepaid expenses	(5,768)	(1,224)
Accounts payable and accrued liabilities	(497)	23,371
Grants payable	10,680	(3,927)
Net cash provided by (used in) operating activities	<u>102,646</u>	<u>223,714</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of investments	(12,221)	(189,744)
Proceeds from sale of investments	-	176,893
Additions to property and equipment	<u>(76,044)</u>	<u>(77,010)</u>
Net cash used in investing activities	<u>(88,265)</u>	<u>(89,861)</u>
Net increase (decrease) in cash and equivalents	14,381	133,853
<b><u>CASH AND EQUIVALENTS</u></b>		
Beginning of year	<u>752,578</u>	<u>618,725</u>
End of year	<u>\$ 766,959</u>	<u>\$ 752,578</u>

See Notes to Consolidated Financial Statements

## ARTS COUNCIL OF INDIANAPOLIS, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

#### NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Business

Arts Council of Indianapolis, Inc. is a not-for-profit corporation established in July 1988. The Organization promotes art in the community through support from corporate, foundation, and government grants.

Significant accounting policies followed by the Organization are listed below:

##### A. Principles of Consolidation

The consolidated financial statements include the accounts of Arts Council of Indianapolis, Inc. and the its wholly-owned subsidiary, Artsgarden, LLC. All significant inter-company accounts and transactions have been eliminated.

##### B. Basis of Accounting

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with Statements of Financial Accounting Standards No. 116 and 117 adopted by the Financial Accounting Standards Board (FASB) in June 1993. This has been done by classification of transactions and balances into three categories of net assets: unrestricted net assets which have no donor-imposed restrictions, temporarily restricted net assets which have donor-imposed restrictions that will expire in the future, and permanently restricted net assets which have donor-imposed restrictions which do not expire. Currently, the Organization has no permanently restricted net assets.

Grant income is released from temporarily restricted net assets when the restriction is met. The commitment to individual arts organizations for funding is considered a release of restriction. Therefore, grants committed to these individual arts organizations, but unpaid, are classified as unrestricted grants payable.

##### C. Revenue and Expense

Support revenue that is restricted by the donor is reported as an increase in temporarily restricted net assets. A restriction expires when the stipulated time has elapsed, or the stipulated purpose for which the resource was restricted has occurred. When a restriction expires, temporarily restricted net assets are released and reclassified to unrestricted net assets.

It is the Organization's policy to consider a donor restriction of or for long-lived assets satisfied when the asset is purchased and put into service.

The Organization records grant expense as the grants are awarded to other organizations throughout the state at which time they are released from restriction and included in the unrestricted net assets.

**ARTS COUNCIL OF INDIANAPOLIS, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2008

**NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES** - continued

C. Revenue and Expense - continued

Expenses have been directly and indirectly allocated between program and supporting expenses.

Gains and losses on investments are classified as an increase or decrease in unrestricted net assets.

D. Cash and Equivalents

Cash and cash equivalents consist of checking, savings, and cash management accounts. Cash equivalents are stated at cost, which approximates fair value, and consist of amounts on deposit in the Dreyfus Cash Management Fund.

	<u>2008</u>	<u>2007</u>
Dreyfus Cash Management Fund	\$ 1,910,829	\$ 1,809,148
Cash on hand and in banks	<u>1,367,044</u>	<u>824,748</u>
Total cash and equivalents	3,277,873	2,633,896
Less restricted amounts	<u>(2,510,914)</u>	<u>(1,881,318)</u>
Unrestricted cash and equivalents	<u>\$ 766,959</u>	<u>\$ 752,578</u>

E. Concentration of Credit Risk

The Organization maintains its cash balances with two financial institutions and a cash management fund. The demand deposit accounts, excluding the Dreyfus Cash Management Fund, are each partially insured by the Federal Deposit Insurance Corporation. During the year, cash deposits exceed the insured limit.

Approximately 47% and 56% of the Council's total support and revenue was derived from two large grants in 2008 and 2007, respectively. A substantial portion of these two grants is required to be granted to individual arts organizations. After removing this portion of the funding to be granted, these two grants would approximate 7% and 8% of total support and revenue for the years ended December 31, 2008 and 2007, respectively.

F. Investments

Statement of Financial Accounting Standards No. 124, Accounting for Certain Investments Held by Not-For-Profit Organizations, requires investments in equity securities with readily determinable fair values and all investments in debt securities to be measured at fair value.

G. Property and Equipment

Property and equipment are stated at cost. Donated property and equipment is recorded at fair value. The Council's capitalization policy is \$1,000 for assets purchased with an estimated useful life of three years or more. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for furniture and equipment range from 3 to 10 years and a 40-year life is used for buildings and improvements. Total depreciation in 2008 of \$385,983 includes Artsgarden depreciation of \$367,451.

# ARTS COUNCIL OF INDIANAPOLIS, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

### NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

#### H. Tax Status and New Accounting Pronouncement

The Arts Council is exempt from federal and state income taxes on its related activities under Internal Revenue Service Code Section 501(c)(3).

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of retained earnings. Additional disclosures about the amounts of such liabilities will be required also.

The Arts Council presently discloses income tax positions based on management's estimate of whether it is reasonably possible or probable, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, Accounting for Contingencies. The Council has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of Interpretation 48 for nonpublic enterprises, such as the Arts Council, included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Arts Council will be required to adopt FIN 48 in its 2009 annual financial statements. Management is currently assessing the impact of FIN 48 on its consolidated financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

#### I. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 those estimates.

#### J. Advertising

Advertising costs are generally paid on behalf of the individual arts organizations and are expensed as incurred. Program advertising expense was \$31,620 and \$60,200 for the years ended December 31, 2008 and 2007, respectively.

**ARTS COUNCIL OF INDIANAPOLIS, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2008

**NOTE 2 INVESTMENTS**

Investments are composed of the following:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market	\$ 27,363	\$ 27,363	\$ 19,294	\$ 19,294
Equity Mutual Funds	122,170	67,809	118,018	130,138
Fixed Income Mutual Funds	176,212	184,433	176,212	177,540
	<u>\$ 325,745</u>	<u>\$ 279,605</u>	<u>\$ 313,524</u>	<u>\$ 326,972</u>

**NOTE 3 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following:

	<u>2008</u>	<u>2007</u>
Art and Soul	\$ 85,755	\$ 77,829
Robert D. Beckmann, Jr. Estate	110,685	112,985
Artist Service	-	12,500
Creative Renewal	585,500	175,000
Central Indiana Community Foundation	50,000	45,000
Public Art Purchase	130,940	115,481
Audience Development	129,427	-
Public Art Maintenance Fund	63,550	63,550
Public Art Purchase	1,674	-
	<u>\$ 1,157,531</u>	<u>\$ 602,345</u>

**NOTE 4 OPERATING LEASE**

The Council leases office space pursuant to an operating lease agreement that expires August 31, 2012. Office lease expense includes the Council's share of building operating costs. Rental expense for the years ended December 31, 2008 and 2007 was \$170,923 and \$181,274, respectively.

**ARTS COUNCIL OF INDIANAPOLIS, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2008

**NOTE 4 OPERATING LEASE** - continued

Future minimum base rent payments are as follows:

2009	157,896
2010	157,896
2011	157,896
2012	78,948
2013	-
Thereafter	-
	<u>\$ 552,636</u>

**NOTE 5 PENSION PLAN**

The Council contributes 5% of the employees' base salary into a 401(a) tax-deferred annuity plan after an employee has completed one full year of employment. Contributions to the plan for 2008 and 2007 were \$40,760 and \$42,638, respectively.

**NOTE 6 MANAGEMENT AGREEMENT**

The Arts Council and Circle Center Development Company (CCDC) entered into an agreement on April 30, 2003. The agreement states that CCDC is to pay Arts Council an annual payment of \$250,000. The payment is for marketing, programming, direct and indirect administrative expenses, and overhead expenses incurred by the Council for the Subsidiary. The agreement expires in April 2036. In addition, CCDC pays for all repairs and replacements for the Artsgarden's physical structure and contents.

As of December 31, 2008 and 2007, \$160,021 and \$147,522, respectively, was due from CCDC under this agreement.

**ARTS COUNCIL OF INDIANAPOLIS, INC. AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2008

**NOTE 7 FUNCTIONAL EXPENSES**

Functional expenses are as follows:

	<b><u>2008</u></b>	<b><u>2007</u></b>
Program:		
Artsgarden	\$ 692,064	\$ 688,082
Art & Soul	83,435	95,543
Audience Development	58,073	206,542
Creative Renewal	91,434	391,722
City Grants	2,511,156	2,550,592
Promoting the Arts and Funding	713,137	613,543
Public Art	591,878	597,636
Regional Arts Partnership	609,550	530,974
Total program expenses	<u>5,350,727</u>	<u>5,674,634</u>
Supporting:		
Fundraising	57,131	58,121
General and administrative	82,318	85,548
Total supporting expenses	<u>139,449</u>	<u>143,669</u>
	<u>\$ 5,490,176</u>	<u>\$ 5,818,303</u>

**NOTE 8 RELATED PARTY TRANSACTIONS**

The Arts Council purchased services from three different board members' companies during 2008 and three in 2007. These services relate to providing legal consulting services and insurance services to the Council. Arts Council paid these related parties a total of \$21,200 in 2008 and \$28,000 in 2007.

**INDEPENDENT AUDITOR'S REPORT  
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Arts Council of Indianapolis, Inc.  
and Subsidiary  
Indianapolis, Indiana

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements as of and for the years ended December 31, 2008 and 2007, taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*RJPile, LLC*

Indianapolis, Indiana  
March 6, 2009

**ARTS COUNCIL OF INDIANAPOLIS, INC. AND SUBSIDIARY**

**SCHEDULES OF CONSOLIDATED FUNCTIONAL EXPENSES**

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Artist, technical fees	\$ 333,497	\$ 123,739
Consultants and outside services	400,737	609,732
Depreciation	385,983	416,498
Dues and subscriptions	4,115	4,327
Insurance	17,385	17,290
Internet	9,059	10,268
Legal and accounting	17,555	18,603
Marketing	51,578	74,099
Meetings	26,123	37,179
Miscellaneous	6,373	4,963
Office expense	12,845	13,812
Panelist expenses	10,472	18,725
Postage	8,699	11,175
Printing	66,727	39,537
Regrants	2,686,680	2,975,346
Rent	170,923	181,274
Repairs and maintenance	31,785	38,313
Salaries and related benefits	1,131,536	1,103,734
Special projects	81,604	84,290
Telephone	19,420	19,220
Travel and lodging	<u>17,080</u>	<u>16,179</u>
Total Functional Expenses	<u>\$ 5,490,176</u>	<u>\$ 5,818,303</u>