



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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January 26, 2010

Board of Directors
Columbus Area Arts Council, Inc.
417 3rd Street
Columbus, IN 47201

We have reviewed the audit report prepared by Blue & Co., 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 Columbus Area Arts Council, Inc., 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.

We call your attention to the findings in the report. The management letter contains one comment and the status of two prior comments.

STATE BOARD OF ACCOUNTS

COLUMBUS AREA ARTS COUNCIL, INC.

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2008 AND 2007

COLUMBUS AREA ARTS COUNCIL, INC.

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Columbus Area Arts Council, Inc.
Columbus, Indiana

We have audited the accompanying statements of financial position of Columbus Area Arts Council, Inc. as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Columbus Area Arts Council, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 12 for 2008 and on pages 13 and 14 for 2008 and 2007 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blue & Co., LLC

February 19, 2009

COLUMBUS AREA ARTS COUNCIL, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
Current assets		
Cash	\$ 231,062	\$ 214,144
Accounts receivable	38,590	2,163
Prepaid expenses	5,935	18,247
Total current assets	<u>275,587</u>	<u>234,554</u>
Furniture and equipment		
Furniture and equipment	43,004	36,219
Less accumulated depreciation	<u>33,876</u>	<u>30,295</u>
Net furniture and equipment	9,128	5,924
Other assets		
Board designated investments	148,066	104,549
Board designated cash	1,934	45,451
Custodial cash	22,590	8,855
Total other assets	<u>172,590</u>	<u>158,855</u>
	<u>\$ 457,305</u>	<u>\$ 399,333</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of obligation under capital lease	\$ 2,381	\$ 2,078
Accounts payable	23,338	14,696
Accrued payroll and other accrued expenses	18,240	28,700
Deferred revenue	44,710	36,267
Custodial funds	22,590	8,855
Total current liabilities	<u>111,259</u>	<u>90,596</u>
Long-term liabilities		
Obligation under capital lease	<u>-0-</u>	<u>2,380</u>
Total liabilities	111,259	92,976
Net assets		
Unrestricted net assets:		
Board-designated	150,000	150,000
Undesignated	155,667	149,024
Total unrestricted net assets	<u>305,667</u>	<u>299,024</u>
Temporarily restricted net assets	<u>40,379</u>	<u>7,333</u>
Total net assets	<u>346,046</u>	<u>306,357</u>
	<u>\$ 457,305</u>	<u>\$ 399,333</u>

See accompanying notes to financial statements.

COLUMBUS AREA ARTS COUNCIL, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2008 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2007)

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
Public support and revenues				
Operating grants:				
City of Columbus	\$ 197,592	\$ -0-	\$ 197,592	\$ 191,841
Indiana Arts Commission	49,132	-0-	49,132	46,058
Foundation grants	<u>60,215</u>	<u>-0-</u>	<u>60,215</u>	<u>55,047</u>
Total operating grants	306,939	-0-	306,939	292,946
Arts Fund drive support:				
Contributions - individuals	17,060	-0-	17,060	29,145
Contributions - businesses	<u>9,759</u>	<u>-0-</u>	<u>9,759</u>	<u>10,860</u>
Total Arts Fund drive support	26,819	-0-	26,819	40,005
Programming grants:				
IAC-Regional Partnership - Arts Development Services	37,196	-0-	37,196	38,855
IAC-Regional Partnership Initiative - pass through	67,491	-0-	67,491	68,613
Programming	22,635	-0-	22,635	20,865
Education grants	<u>31,036</u>	<u>-0-</u>	<u>31,036</u>	<u>29,835</u>
Total programming grants	158,358	-0-	158,358	158,168
Sponsorships:				
Programming	19,834	6,666	26,500	39,500
Neighborfest	6,000	-0-	6,000	6,000
Rock the Park	16,287	33,713	50,000	-0-
Other sponsorships	<u>14,000</u>	<u>-0-</u>	<u>14,000</u>	<u>25,500</u>
Total sponsorships	56,121	40,379	96,500	71,000
Other support and revenue:				
Programming revenue and rentals	72,872	-0-	72,872	106,340
In-kind rent	15,000	-0-	15,000	33,140
In-kind services	20,000	-0-	20,000	-0-
Other revenue and interest income	(791)	-0-	(791)	33,127
Net assets released from restrictions	<u>7,333</u>	<u>-0-</u>	<u>7,333</u>	<u>6,933</u>
Total other support and revenue	114,414	-0-	114,414	179,540
Total public support and revenues	662,651	40,379	703,030	741,659
Expenses				
Production	252,587	-0-	252,587	253,753
Services	227,716	-0-	227,716	260,106
Management and general	119,947	-0-	119,947	134,032
Fundraising	55,758	-0-	55,758	43,689
Net assets released from restrictions	<u>-0-</u>	<u>7,333</u>	<u>7,333</u>	<u>6,933</u>
Total expenses	656,008	7,333	663,341	698,513
Change in net assets	6,643	33,046	39,689	43,146
Net assets, beginning of year	<u>299,024</u>	<u>7,333</u>	<u>306,357</u>	<u>263,211</u>
Net assets, end of year	<u>\$ 305,667</u>	<u>\$ 40,379</u>	<u>\$ 346,046</u>	<u>\$ 306,357</u>

See accompanying notes to financial statements.

COLUMBUS AREA ARTS COUNCIL, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Total
Public support and revenues			
Operating grants:			
City of Columbus	\$ 191,841	\$ -0-	\$ 191,841
Indiana Arts Commission	46,058	-0-	46,058
Foundation grants	55,047	-0-	55,047
Total operating grants	<u>292,946</u>	<u>-0-</u>	<u>292,946</u>
Arts Fund drive support:			
Contributions - individuals	29,145	-0-	29,145
Contributions - businesses	10,860	-0-	10,860
Total Arts Fund drive support	<u>40,005</u>	<u>-0-</u>	<u>40,005</u>
Programming grants:			
IAC-Regional Partnership - Arts Development Services	38,855	-0-	38,855
IAC-Regional Partnership Initiative - pass through	68,613	-0-	68,613
Programming	20,865	-0-	20,865
Education grants	29,835	-0-	29,835
Total programming grants	<u>158,168</u>	<u>-0-</u>	<u>158,168</u>
Sponsorships:			
Commons	32,167	7,333	39,500
Neighborfest	6,000	-0-	6,000
Other sponsorships	25,500	-0-	25,500
Total sponsorships	<u>63,667</u>	<u>7,333</u>	<u>71,000</u>
Other support and revenue:			
Programming revenue and rentals	106,340	-0-	106,340
In-kind rent	33,140	-0-	33,140
Other revenue and interest income	33,127	-0-	33,127
Net assets released from restrictions	6,933	-0-	6,933
Total other support and revenue	<u>179,540</u>	<u>-0-</u>	<u>179,540</u>
Total public support and revenues	<u>734,326</u>	<u>7,333</u>	<u>741,659</u>
Expenses			
Production	253,753	-0-	253,753
Services	260,106	-0-	260,106
Management and general	134,032	-0-	134,032
Fundraising	43,689	-0-	43,689
Net assets released from restrictions	-0-	6,933	6,933
Total expenses	<u>691,580</u>	<u>6,933</u>	<u>698,513</u>
Change in net assets	42,746	400	43,146
Net assets, beginning of year	<u>256,278</u>	<u>6,933</u>	<u>263,211</u>
Net assets, end of year	<u>\$ 299,024</u>	<u>\$ 7,333</u>	<u>\$ 306,357</u>

See accompanying notes to financial statements.

COLUMBUS AREA ARTS COUNCIL, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating activities		
Change in net assets	\$ 39,689	\$ 43,146
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	3,581	2,223
Loss on sale of assets	-0-	1,355
Realized and unrealized losses (gains) on investments	31,483	(5,129)
Changes in operating assets and liabilities:		
Accounts receivable	(36,427)	14,344
Prepaid expenses	12,312	(17,247)
Custodial cash	(13,735)	(1,465)
Accounts payable	8,642	(1,019)
Accrued payroll and other accrued expenses	(10,460)	(6,161)
Deferred revenue	8,443	7,636
Custodial funds	<u>13,735</u>	<u>1,465</u>
Net cash flows from operating activities	57,263	39,148
Investing activities		
Purchases of furniture and equipment	(6,785)	(2,979)
Proceeds on sale of assets	-0-	50
Decrease (increase) in board designated cash	43,517	(45,451)
Increase in board designated investments	<u>(75,000)</u>	<u>-0-</u>
Net cash flows from financing activities	(38,268)	(48,380)
Financing activities		
Principal payments under capital lease obligation	<u>(2,077)</u>	<u>(1,647)</u>
Net change in cash	16,918	(10,879)
Cash, beginning of year	<u>214,144</u>	<u>225,023</u>
Cash, end of year	<u>\$ 231,062</u>	<u>\$ 214,144</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 839	\$ 1,269

See accompanying notes to financial statements.

COLUMBUS AREA ARTS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Columbus Area Arts Council, Inc. ("CAAC") is a not-for-profit arts agency whose mission is to foster, support, and encourage cultural, artistic, humanitarian, and educational opportunities in and around Bartholomew County, Indiana. CAAC conducts an annual United Arts Fund Drive, seeks grants, and conducts revenue-raising programming to provide support for itself and other arts-related entities. CAAC also shares with the City of Columbus Parks and Recreation Department the administration of the "Commons," a multipurpose facility in downtown Columbus.

CAAC was designated in 1989 by the Columbus Common Council as the official local arts agency for the City of Columbus.

The significant accounting policies followed by CAAC in the preparation of its financial statements are summarized below:

Basis of Presentation

Net assets and public support, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are net assets not subject to donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Net assets subject to donor-imposed restrictions relating to a stipulated purpose or specified time are recorded as temporarily restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a 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 restriction.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported public support, revenues, and expenses. Actual results could vary from the estimates that were used.

Accounts Receivable

Management estimates an allowance for doubtful accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique

COLUMBUS AREA ARTS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

to the Organization. No allowance for doubtful accounts was determined to be required at December 31, 2008 and 2007.

Furniture and Equipment

Furniture and equipment is recorded at cost, except for donations which are recorded at fair market value at the date of the donation. Furniture and equipment includes expenditures for additions and repairs which substantially increase the useful lives of existing furniture and equipment. Maintenance, repairs, and minor improvements are expensed as incurred. The furniture and equipment of CAAC is being depreciated over estimated useful lives ranging from three to ten years using the straight-line method.

Board Designated Cash and Investments

The Board of Directors has designated certain amounts for future expenditures and investments in operations and placed most of it in a custodial fund with the Heritage Fund of Bartholomew County, Inc. The investment with the Heritage Fund is measured at fair market value in the statements of financial position. Investment income or loss, including realized and unrealized gains and losses on investments, interest, and dividends is included in other revenue in the statements of activities. The funds are invested in fixed income and equity mutual funds. At December 31, 2008 and 2007, these board designated net assets were \$150,000.

Custodial Cash and Custodial Funds

CAAC serves as fiscal agent of funds for certain organizations. The amounts are reported as custodial cash in the statements of financial position. A corresponding liability reported as custodial funds has also been recorded in the statements of financial position.

Agency Transactions

CAAC acts as a ticket agent for other local not-for-profit organizations. CAAC sells tickets to events and then remits the receipts to the organization, net of an administrative fee and set-up charge.

Support, Revenue and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as support in the period the contribution is received or the promise is made. Contributions received with donor imposed restrictions are reported as restricted support and increase temporarily restricted net assets.

COLUMBUS AREA ARTS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

Support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

All other support and revenue is recorded when earned.

Deferred Revenue

Deferred revenue represents grant funds received in advance of the period in which the related services will be provided.

Expense Allocation

The costs of providing CAAC's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are charged to operations when incurred. Total advertising costs incurred during the years ended December 31, 2008 and 2007, were \$43,284 and \$15,534, respectively. In-kind contributions relating to these advertising expenses were \$20,000 for the year ended December 31, 2008.

Income Taxes

CAAC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Accounting for Uncertainty in Income Taxes

The Financial Accounting Standards Board ("FASB") has issued Interpretation No. 48 ("FIN 48"), which clarifies generally acceptable accounting principles for recognition, measurement, presentation and disclosure relating to uncertain tax positions. FIN 48 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. As permitted by FIN 48 (as amended), the Organization has elected to defer the application of FIN 48 until issuance of its December 31, 2009 financial statements. For financial statements covering periods prior to calendar 2009, the Organization evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required thereunder.

COLUMBUS AREA ARTS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

Reclassifications

Certain prior year amounts have been reclassified herein to conform to the current method of presentation.

2. BOARD DESIGNATED INVESTMENTS

CAAC has transferred assets to the Heritage Fund of Bartholomew County, Inc. ("Heritage Fund") and retained a beneficial interest in those assets. CAAC is to receive the interest annually, but none of the principal. CAAC has granted variance power to the Heritage Fund to carry out the purposes of the designated endowment created by the initial transfer. The fair value of this asset measured on a recurring basis using significant unobservable inputs (Level 3) are included in the statements of financial position at \$148,066 and \$104,549 as of December 31, 2008 and 2007, respectively. The progression of this endowment fund is as follows:

	<u>2008</u>	<u>2007</u>
Beginning balance	\$ 104,549	\$ 99,420
Contributions	75,000	50
Investment return	(30,437)	6,086
Administrative and investment fees	<u>(1,046)</u>	<u>(1,007)</u>
	<u>\$ 148,066</u>	<u>\$ 104,549</u>

3. INDIANA ARTS COMMISSION REGIONAL PARTNERSHIP INITIATIVE

During 1999, CAAC was designated as an intermediate agency for the Indiana Arts Commission for Regional Partnership Initiative funds. Under the terms of the grant agreement, CAAC was awarded \$72,830 for each of the years ended December 31, 2008 and 2007, to sub-grant to various organizations in CAAC's district. This amount is included in unrestricted support as CAAC was given variance power in determining how the sub-grants were awarded. CAAC recognized \$67,491 and \$68,613 of grant revenue and expense and \$16,547 and \$11,208 of deferred revenue related to this agreement as of and for the years ended December 31, 2008 and 2007, respectively.

COLUMBUS AREA ARTS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

4. DEFERRED REVENUE

Deferred revenue represents amounts received under grants for which expenses have not yet been incurred, and consists of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Indiana Arts Commission - general operating grant	\$ 24,716	\$ 24,414
Indiana Arts Commission - arts development services	3,447	645
Indiana Arts Commission - Regional Partnership Initiative	<u>16,547</u>	<u>11,208</u>
	<u>\$ 44,710</u>	<u>\$ 36,267</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include amounts restricted for programming sponsorships and the Rock the Park event at December 31, 2008 and 2007 totaling \$40,379 and \$7,333, respectively.

During the years ended December 31, 2008 and 2007, temporarily restricted net assets of \$7,333 and \$6,933 were released from restriction due to the satisfaction of the purpose restrictions related to these amounts.

6. CAPITAL LEASE

CAAC is the lessee of equipment under a capital lease expiring in 2009. The asset and liability under capital lease were initially recorded at the present value of the minimum lease payments. Amortization of the asset under capital lease is included in depreciation expense and was \$1,705 and \$1,702 for the years ended December 31, 2008 and 2007, respectively.

Following is a summary of equipment held under capital lease:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 8,513	\$ 8,513
Less accumulated depreciation	<u>7,095</u>	<u>5,390</u>
	<u>\$ 1,418</u>	<u>\$ 3,123</u>

COLUMBUS AREA ARTS COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

Minimum future lease payments under this capital lease subsequent to December 31, 2008, are as follows:

Payments in 2009	\$	2,673
Less amount representing interest		292
Less current maturities		<u>2,381</u>
	\$	<u>-0-</u>

7. GRANT MATCHING REQUIREMENTS

Certain grants received by CAAC during the years ended December 31, 2008 and 2007, required CAAC to attain minimum levels of matching contributions, which may have consisted of "in-kind" services or cash receipts. These matching funds are reflected in the statements of activities as in-kind rent and services.

8. CONTINGENCY

CAAC is partially funded by grants and contracts awarded directly and indirectly by the federal government, State of Indiana, and local government. The majority of the agreements contain provisions that permit the arrangements to be terminated or the funds provided to be reduced.

9. CONCENTRATION OF CREDIT RISK

CAAC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. CAAC has not experienced any losses in such accounts. CAAC believes it is not exposed to any significant credit risk on cash.

10. DONATED FACILITIES

CAAC receives free use of its office space. The fair market value of this donation for the year ended December 31, 2008 was \$15,000. CAAC received free use of its facilities in the Commons during 2007. The fair market value of this donation for the year ended December 31, 2007 was \$33,140. These amounts have been included in the statements of activities as an in-kind donation and as in-kind rent expense.

SUPPLEMENTARY INFORMATION

COLUMBUS AREA ARTS COUNCIL, INC.

SCHEDULE OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2008

	Production	Services	Management and General	Fundraising	Total
Salaries and wages	\$ 74,624	\$ 74,623	\$ 74,623	\$ 24,874	\$ 248,744
Contracted labor	-0-	-0-	-0-	13,611	13,611
Payroll taxes	5,792	5,793	5,793	1,931	19,309
Fringe benefits	13,281	13,280	13,280	4,427	44,268
Advertising	38,956	-0-	-0-	4,328	43,284
Depreciation	716	716	1,791	358	3,581
Legal and professional	-0-	-0-	13,094	-0-	13,094
Bad debt expense	136	34	-0-	-0-	170
Miscellaneous	6,195	4,320	2,449	1,442	14,406
Office expense	4,447	3,104	1,759	1,035	10,345
Utilities	658	657	657	657	2,629
Postage	793	553	313	184	1,843
Printing	39	27	15	9	90
Repairs and maintenance	1,878	1,310	742	437	4,367
Telephone	1,824	1,272	721	424	4,241
Travel and education	958	2,394	1,436	-0-	4,788
Community programming	94,718	23,679	-0-	-0-	118,397
Grant allocations	-0-	90,391	-0-	-0-	90,391
In-kind rent	6,450	4,500	2,550	1,500	15,000
Interest	-0-	279	280	280	839
Dues and subscriptions	865	604	342	201	2,012
Bank fees	257	180	102	60	599
	<u>\$ 252,587</u>	<u>\$ 227,716</u>	<u>\$ 119,947</u>	<u>\$ 55,758</u>	<u>\$ 656,008</u>

See Report of Independent Auditors on page 1.

COLUMBUS AREA ARTS COUNCIL, INC.

PROGRAMMING REVENUE AND RENTALS YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Commons ticketed events	\$ -0-	\$ 34,180
Ticketed events - other venues	35,432	6,870
Rentals	1,800	10,810
Uncommon Cause grant	<u>35,640</u>	<u>54,480</u>
	<u>\$ 72,872</u>	<u>\$ 106,340</u>

See Report of Independent Auditors on page 1.

COLUMBUS AREA ARTS COUNCIL, INC.

**OTHER REVENUE AND INTEREST INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Mill Race Park tech grant	\$ 5,671	\$ 5,109
Interest income	2,246	4,974
Commons program donations	829	2,683
Investment return, net	(30,699)	5,824
Damage, catering, and other fees, net	-0-	2,922
Miscellaneous	<u>21,162</u>	<u>11,615</u>
	<u>\$ (791)</u>	<u>\$ 33,127</u>



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February 19, 2009

Board of Directors
Columbus Area Arts Council, Inc.
Columbus, Indiana

Dear Members of the Board:

We have audited the financial statements of Columbus Area Arts Council, Inc. (the "Organization") for the year ended December 31, 2008, and have issued our report thereon dated as of the date of this letter.

Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were the depreciation of property and equipment over their useful lives and the functional allocation of expenses.

The disclosures in the financial statements are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

The following material misstatements detected as a result of audit procedures were corrected by management:

- An adjustment to properly record accounts receivable and accounts payable at December 31, 2008. This adjustment increased the change in net assets by \$3,600.
- An adjustment to properly reflect board designated investment at the correct balance at December 31, 2008. This adjustment decreased the change in net assets by \$14,448.

The only uncorrected misstatements of the financial statements are related to the recording of accrued time off and accrued payroll, which would have increased the change in net assets by \$3,490. Management has determined that its effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OUR RECOMMENDATIONS FOR YOUR ORGANIZATION

During the course of an audit, we frequently become aware of matters which are opportunities to strengthen internal controls or improve operating efficiency or effectiveness.

FOLLOW-UP TO RECOMMENDATIONS MADE DURING THE 2007 AUDIT
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We would like to briefly follow-up on certain recommendations that were included in our management letter to you dated February 21, 2008.

Periodic Review of Bank Reconciliations

During our prior audit, we recommended that the Organization consider having bank reconciliations periodically reviewed by someone outside of the process of preparing the reconciliation, such as the Board Treasurer. We noted that this procedure was completed at least quarterly for the current year.

Segregation of Duties

During our prior audit, we recommended that the Organization remove the Financial Officer from the list of authorized check signors in order to strengthen its internal controls over cash disbursements. During the current year audit, we noted that the Financial Officer has been removed from the list of authorized check signors.

CURRENT YEAR RECOMMENDATION

During the course of our 2008 audit, we have developed the following additional recommendation for your consideration.

Written Agreements for Services

During our audit, we noted several events and organizations for which the Organization acts as the fiscal agent. It is important that each arrangement be supported by an agreement that specifies the responsibility of each party to the arrangement to avoid conflicts or liability. These agreements should contain several important elements which would serve to protect the Organization's tax status. As such, we recommend that the Organization attempt to secure agreements for all existing fiscal agent arrangements, if possible. We also recommend that the Organization ensure that agreements are secured for all similar relationships established going forward.

This communication is intended solely for the information and use of management, the Board of Directors and its relevant committees (including as applicable the Audit and Finance Committee), and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate this opportunity to be of service and extend our thanks to everyone at the Organization for their cooperation and assistance. We would be pleased to discuss any of the above matters with you at your convenience.

Very truly yours,

Blue & Co., LLC