

Studios on the Park, Inc.
Unaudited Financial Statements
December 31, 2011

Studios on the Park, Inc
Statement of Financial Position
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
ASSETS			
Cash and Cash Equivalents			
Petty Cash	\$ 100		100
Santa Barbara Bank-Programs	\$ 31,337	\$ 25,229	56,566
Santa Barbara Bank-FOTA	\$ 7,887	\$ 10,987	18,874
Santa Barbara Bank-Other	\$ 26,216		26,216
Total Cash and Cash Equivalents	<u>\$ 65,540</u>	<u>\$ 36,216</u>	<u>101,756</u>
Accounts Receivable			
Art Sale Receivable	170		170
SLOCC Funds Receivable	601		601
Total Accounts Receivable	<u>771</u>	<u>-</u>	<u>771</u>
Total Current Assets	<u>66,311</u>	<u>36,216</u>	<u>102,527</u>
Fixed Assets			
Leasehold Improvements	16,881		16,881
Furniture and Fixtures	10,202		10,202
Equipment	14,607		14,607
Total Fixed Assets	<u>41,690</u>		<u>41,690</u>
Less Accumulated Depreciation	<u>(5,206)</u>		<u>(5,206)</u>
Net Fixed Assets	<u>36,484</u>		<u>36,484</u>
Other Assets			
Start-up Costs	80,758		80,758
Less Amortization	<u>(16,151)</u>		<u>(16,151)</u>
Total Other Assets	<u>64,607</u>		<u>64,607</u>
TOTAL ASSETS	<u><u>167,402</u></u>	<u><u>36,216</u></u>	<u><u>203,618</u></u>
LIABILITIES			
Current Liabilities			
Artist Deposits	8,534		8,534
Gift Certificates	590		590
Payroll Liabilities	-		-
Sales Tax Payable	1,511		1,511
Total Current Liabilities	<u>10,635</u>		<u>10,635</u>
Long-term Liabilities			
Laddon-Irving Loan	<u>89,400</u>		<u>89,400</u>
TOTAL LIABILITIES	<u>100,035</u>		<u>100,035</u>
NET ASSETS			
Unrestricted	67,367		67,367
Temporarily Restricted		36,216	36,216
TOTAL NET ASSETS	<u>67,367</u>	<u>36,216</u>	<u>103,583</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>67,367</u></u>	<u><u>\$ 36,216</u></u>	<u><u>\$ 203,618</u></u>

Unaudited Financial Statements
For Management Use Only

Studios on the Park, Inc.
Statement of Activities
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Operating Revenues			
Contributions	\$ 14,924	\$ 55,699	\$ 70,623
Program sales and fees			-
Artists in Residence	151,642		151,642
Community Art Classes	3,685		3,685
Festival of the Arts	76,459		76,459
Atrium and Gift Shop Sales	11,230		11,230
Total Operating Revenue	257,940	55,699	313,639
Net Assets Released from Restrictions	54,583	(54,583)	
Expenses			
Program Services	304,433		304,433
Fundraising Expense	18,141		18,141
Management and General	13,192		13,192
Total Expenses	335,766		335,766
Changes in Net Assets	(23,243)	1,116	(22,127)
Net Assets Beginning of Year	90,610	35,100	125,710
Net Assets End of Year	\$ 67,367	\$ 36,216	\$ 103,583

Studios on the Park, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2011

	Program Services					Fundraising	Management and General	Total
	Artists In Residence	ArtSmart	Community Art Classes	Festival of the Arts	Total Program			
Salaries	\$3,000	\$6,000	\$3,000	\$12,000	\$24,000	\$3,000	\$3,000	\$30,000
Payroll Taxes	252	504	252	1,008	2,016	252	253	2,521
Total Salaries and Benefits	\$ 3,252	\$ 6,504	\$ 3,252	\$ 13,008	\$ 26,016	\$ 3,252	\$ 3,253	\$ 32,521
Legal					-			-
Accounting					-		135	135
Advertising and Promotion	63	383		14,868	15,314	1,645		16,959
Office Expenses	1,905	890	874	7,917	11,585	437	437	12,459
Building Lease	93,920	5,870	3,522	2,348	105,660	5,870	5,870	117,400
Building Maintenance	11,431	714	429	286	12,860	714	715	14,289
Building Utilities	11,985	749	449	300	13,484	749	749	14,982
Travel					-			-
Payments to City of PR				1,460	1,460			1,460
Insurance	285	570	285	1,140	2,280	285	285	2,850
Fundraising Expense					-			-
Art & Misc Supplies	811	12,496	457	6,203	19,967	580	580	21,127
Bank Charges	2,655				2,655			2,655
Property Tax	628	39	24	16	707	39	39	785
Graphics Artist Fees				5,000	5,000			5,000
Art Instruction Fees		14,700	1,050	38,743	54,493			54,493
Art Class Bus Costs		3,761			3,761			3,761
Decorations & Signage	1,000			3,939	4,939	4,156		9,095
License & Permits					-		465	465
Other	97			16,712	16,809		250	17,059
Subtotal Before Depreciation & Amortization	128,032	46,676	10,342	111,940	296,990	17,727	12,778	327,495
Depreciation & Amortization	6,617	413	248	165	7,443	414	414	8,271
Total Expenses	\$ 134,649	\$ 47,089	\$ 10,590	\$ 112,105	\$ 304,433	\$ 18,141	\$ 13,192	\$ 335,766

Studios on the Park, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2011

Summary of Significant Accounting Policies

1. Nature of Activities

Studios on the Park, Inc. is a nonprofit 501(c)(3) organization dedicated to providing a creative, educational, and transformational experience to enhance understanding and appreciation of the visual arts. Studios on the Park realizes its commitment by making the creative process available to the public. Studios engages and inspires the San Luis Obispo County Community and its visitors with a unique open studio environment. Studios features artists working in a variety of media, educational programs for children and adults, and quality exhibitions by regional, national, and international artists.

2. Programs

Artists in Residence

This is Studio's signature program. Local artists who are juried become members of the Artists in Residence program and commit to creating their art at Studios for public viewing. Visitors interact with the artist and observe the creative process, view finished pieces, and sometimes purchase their works. Artists pay a fee for their studio, which allows Studios to support a lease for its nonprofit mission. Studios does not sell or collect a commission for the art sold inside the artist member studio.

Youth Arts Programming

Studios administers and fund raises for the ArtSmart program, which provides free hands-on art classes to children in local elementary schools. Studios also hosts a weekly Teen Art Group free of charge and provides community art classes for a modest fee that are available to anyone in the community.

Festival of the Arts

In 2009 and 2010, Studios and the City of Paso Robles produced a fine arts festival. During 2011, Studios took the lead role in hosting this art festival as outlined in a Letter of Understanding with the City of Paso Robles.

3. Financial Statement Presentation

Non-profit organizations generally are required to prepare financial statements on the accrual basis of accounting. Small non-profits, however, often use the cash or income tax basis when there is no material difference between cash and accrual accounting. Accordingly, the accompanying financial statements have been prepared using the income tax basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP).

The Organization reports information regarding its financial position and activities

Studios on the Park, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2011

according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Temporarily restricted net assets include those subject to a donor restriction and for which the applicable restriction was not met at the end of the current reporting period. Permanently restricted net assets include those subject to a non-expiring donor restriction.

4. Income taxes

Studios on the Park, Inc. is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Thus, no provision for taxes is included in these statements.

5. 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.

Estimates for overhead costs allocable to program services (Statement of Functional Expenses) are determined annually by a review of costs with Studios personnel who work most closely with operations.

6. Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within (90) days of purchase.

7. Contributions

The Organization accounts for contributions received and contributions made in accordance with accounting standards for nonprofit organizations. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted contributions are reported as an increase in temporarily or permanently restricted net assets. When the restriction is met, the amount is shown as a reclassification from restricted net assets to unrestricted net assets. During 2011, Studios had no permanently restricted assets.

8. Contributed Goods and Services

Contributions in-kind are recognized as follows: Donated goods are recorded at estimated fair market value at the date of donation.

Under GAAP in accrual-basis financial statements, contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at estimated fair market value at the time the services are

Studios on the Park, Inc.
Notes to the Financial Statements
For the Year Ended December 31, 2011

rendered. Studios does receive donated accounting and legal services, and has not recorded such donated services in the accompanying income tax basis statements.

Studios also receives donated services from other volunteers that are central to its ability to continue operations. All board members are uncompensated and provide pro bono management services. Studios employs a programs director at a modest salary. Classes are taught by professional artists and are managed by volunteer coordinators. Volunteers staff all events.

9. Fixed Assets

Furniture and equipment with a value over \$500 is capitalized at cost when purchased, or estimated fair market value if donated. Depreciation is computed using the straight-line method of depreciation over the asset's estimated useful life, which ranges from five to ten years. Leasehold improvements are depreciated over a useful life of 39 years, using the straight-line method of depreciation.

10. Functional Allocation of Expenses

The costs of operating the Organization's program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates of time worked in each program. See Note 5, Use of Estimates.

11. Long-Term Liabilities

A Studios board member paid initial lease fees for the building during its start-up phase as an interest-free loan in the total amount of \$89,500. No schedule for repayment of the loan has been established as of the date of these financial reports. Under IRS Code Section 7872(d), such loan is exempt from imputed interest provisions to the related parties because it is less than \$100,000 and the borrower (Studios) had less than \$1000 of net investment income at the time of the loan.