



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Downtown Aurora Visual Arts

We have audited the accompanying financial statements of Downtown Aurora Visual Arts (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Downtown Aurora Visual Arts as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Denver, Colorado  
November 6, 2013

*Comiskey & Company*  
PROFESSIONAL CORPORATION

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**Downtown Aurora Visual Arts**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2012**

**ASSETS**

*Current Assets*

Cash and cash equivalents	\$	521,796
Investments (at fair market value)		4,542
Earned income receivable		10,260
Prepays		<u>2,637</u>
<b>Total current assets</b>		<b>539,235</b>

*Property and Equipment*

Equipment and computers		31,625
Building and improvements		446,323
Less accumulated depreciation		<u>(196,562)</u>
<b>Total property and equipment</b>		<b><u>281,386</u></b>

<b>Total assets</b>	<b>\$</b>	<b><u>820,621</u></b>
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**LIABILITIES AND NET ASSETS**

*Current Liabilities*

Accounts payable	\$	3,657
Accrued expenses		3,054
Mortgage note payable, current		<u>4,905</u>
<b>Total current liabilities</b>		<b>11,616</b>

<b>Total liabilities</b>	<b>\$</b>	<b><u>11,616</u></b>
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*Net Assets*

Unrestricted		296,308
Temporarily restricted		<u>512,697</u>
		<u>809,005</u>

<b>Total liabilities and net assets</b>	<b>\$</b>	<b><u>820,621</u></b>
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The accompanying notes are an integral part of the financial statements.

**Downtown Aurora Visual Arts  
STATEMENT OF ACTIVITIES  
For year ended December 31, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Grants from State of Colorado and other local governments	\$ 80,732	\$ 71,100	\$ 151,832
Foundation grants	40,250	330,000	370,250
Donated services and materials	17,974	-	17,974
Contributions and donations	84,115	250	84,365
Program service revenue	102,576	-	102,576
Special event revenue	27,957	-	27,957
Corporate grants	795	-	795
Interest, dividends and other	5,931	-	5,931
Unrealized losses on securities	262	-	262
Assets released from restrictions	89,854	(89,854)	-
	<u>450,446</u>	<u>311,497</u>	<u>761,942</u>
<b>EXPENSES AND SERVICES</b>			
<i>Program Services</i>			
OASIS	106,707	-	106,707
Job training	73,820	-	73,820
Computer art lab	57,398	-	57,398
Portable art school	67,430	-	67,430
Family arts	45,247	-	45,247
	<u>350,602</u>	<u>-</u>	<u>350,602</u>
<i>Supporting Services</i>			
Management and general	49,673	-	49,673
Financial development	25,869	-	25,869
	<u>75,542</u>	<u>-</u>	<u>75,542</u>
Total program services	<u>350,602</u>	<u>-</u>	<u>350,602</u>
Total supporting services	<u>75,542</u>	<u>-</u>	<u>75,542</u>
Total expenses and services	<u>426,144</u>	<u>-</u>	<u>426,144</u>
<b>Change in Net Assets</b>	24,302	311,497	335,798
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>272,006</u>	<u>201,200</u>	<u>473,206</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 296,308</u>	<u>\$ 512,697</u>	<u>\$ 809,005</u>

The accompanying notes are an integral part of the financial statements.

**Downtown Aurora Visual Arts**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2012**

	<u>Program Services</u>					<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>OASIS</u>	<u>Job Training</u>	<u>Computer Art Lab</u>	<u>Portable Art School</u>	<u>Family Arts</u>	<u>Management and General</u>	<u>Financial Development</u>	
Personnel expense	\$ 68,002	\$ 39,273	\$ 31,863	\$ 43,332	\$ 31,081	\$ 42,946	\$ 16,525	\$ 273,022
Occupancy costs	5,162	4,425	2,950	2,950	2,213	369	369	18,438
Program supplies and materials	9,117	6,117	3,892	8,069	2,890	164	164	30,413
Stipends and incentives	3,550	5,368	6,018	88	66	-	-	15,090
Office supplies and expense	853	731	487	487	366	4,154	1,152	8,230
Contracts and professional services	5,237	4,489	2,993	2,993	2,244	137	137	18,230
Travel, meetings, and conferences	587	1,138	335	1,397	251	106	6,733	10,547
Insurance and miscellaneous	7,198	6,170	4,748	4,113	3,085	1,218	504	27,037
Publicity and promotion	3,005	2,683	1,828	1,717	1,338	294	-	10,865
Expenses before depreciation	102,711	70,395	55,114	65,146	43,534	49,388	25,584	411,872
Depreciation	3,996	3,425	2,284	2,284	1,713	285	285	14,272
Total expenses	<u>\$ 106,707</u>	<u>\$ 73,820</u>	<u>\$ 57,398</u>	<u>\$ 67,430</u>	<u>\$ 45,247</u>	<u>\$ 49,673</u>	<u>\$ 25,869</u>	<u>\$ 426,144</u>

The accompanying notes are an integral part of the financial statements.

**Downtown Aurora Visual Arts**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 335,798
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	14,272
Increase in investment account	(408)
Decrease in grants, contributions and earned income receivable	4,186
Decrease in prepaid assets	262
Increase in accounts payable	(21,998)
Increase in accrued expenses and deferred revenue	(1,104)
Contributions restricted for long-term purposes	<u>(311,497)</u>
Net cash flows from operating activities	19,511
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash paid for plant property and equipment	<u>(18,754)</u>
Net cash flows from investing activities	(18,754)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payment of mortgage payable	(5,019)
Capital campaign	<u>311,497</u>
Net cash flows from financing activities	<u>306,478</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	307,235
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>214,560</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 521,795</u>
<b>NON CASH TRANSACTIONS</b>	
Cash Paid During the Year for:	
Interest paid	<u>\$ 506</u>

The accompanying notes are an integral part of the financial statements.

**Downtown Aurora Visual Arts  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**1. Summary of Significant Accounting Policies**

**Organization**

Downtown Aurora Visual Arts ("DAVA") (the "Organization") is a not-for-profit organization exempt from income tax under Section 501(c) (3) of the Internal Revenue Code. DAVA was established on May 24, 1993 for the purpose of developing the arts as a positive social force, especially as a resource building program for youth at risk. The Organization also seeks to add to the strengths of the local community (e.g., ethnic diversity, concentration of independent businesses, renewal efforts).

DAVA's major programs and activities are described below.

**Program Services**

Young people at DAVA participate in projects using a variety of art mediums, from ceramics to printmaking. DAVA's studio space, workshop areas, and gallery are located on the corner of 14<sup>th</sup> and Florence Streets in central downtown Aurora, Colorado. The Organization offers open studio and job training/art apprenticeships for young people along with a range of portable arts activities available to all ages through the following programs:

*OASIS* – a free after-school, art studio for youths ages 7 to 17 years. A variety of painting, drawing, mixed media, and ceramic projects are offered.

*Job Training/Art Internship* – an after-school, art program that uses longer-term art projects to teach youth about the expectations of the working world through art projects that have a particular theme or medium to explore. Job training develops teamwork through participation in a range of projects from ceramics to computer art.

*Computer Art Lab* – offers middle school students the opportunity to explore various aspects of art using the computer as a tool.

*Portable Art School* – a traveling arts program available to all age groups whose goal is to bring the experience of art to schools and other community organizations and events.

*Family Arts* – a program designed to reach parents with younger children ages 3 to 6 through projects directly involving the parent in the child's creative process.

*DAVA Gallery* – celebrates the artwork of students in all DAVA programs and visiting artists through a series of exhibitions open to the entire community.

*Public Arts* – a program that lets students create artwork for visible public areas, which help to beautify the community at large.

**Supporting Services**

*Management and General*

Includes functions necessary to administer the programs and other financial and corporate governing of DAVA.

*Financial Development*

Includes activities that encourage and secure public and private financial support from individuals, foundations, corporations, and government agencies.

**Downtown Aurora Visual Arts**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**1. Summary of Significant Accounting Policies (continued)**

**Basis of Accounting**

DAVA's policy is to prepare its financial statements on the accrual basis of accounting; reflecting all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification in its ASC 958-205. Under ASC 958-205-55-2, DAVA 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.

**Grants and Contributions**

In accordance with ASC 958-605, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

**Revenue Recognition**

All contributions are considered to be available to current operations, unless otherwise specifically indicated by the donor. Donor restricted contributions are recognized as revenue in the period received and the unspent portions reflected as either temporarily restricted or permanently restricted net assets (depending on the nature of the restriction) in the statement of financial position, herein. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Scientific and Cultural Facilities District grants are expended pro-rata on a grant-year basis which starts on October of each year and ends on December of the following year.

**Cash and Cash Equivalents**

DAVA considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Earned income receivables represent monies due to the Organization at December 31, 2012 and are recorded using the accrual basis of accounting. As of December 31, 2012 receivables totaled \$10,260.

It is the policy of the Organization to ensure all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. Write-offs are initiated by the department associated with the amount to be written off, in conjunction with the accounting department. If an account receivable is deemed uncollectible, the appropriate approvals by upper management are required. For the year ended December 31, 2012, no receivables were written off.

**Promises to Give**

Unconditional promises to give are recognized as revenue in the period promised as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Property, Equipment and Depreciation**

DAVA records property and equipment at cost or fair market value, if donated. The Organization's capitalization threshold is set at \$500. Depreciation is computed by the use of the straight-line method over estimated useful lives of five years for equipment and computers, and twenty years for buildings and improvements.

**Downtown Aurora Visual Arts**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**1. Summary of Significant Accounting Policies (continued)**

**In-kind Donations**

*Materials and Supplies*

Donated materials and supplies are recorded as contributions at their estimated fair value at the date of donation.

*Donated Property and Equipment*

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. DAVA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. DAVA reclassifies temporarily restricted net assets to unrestricted net assets at that time.

*Donated Goods and Services*

Donated goods valued at \$8,259 during 2012 met the requirements for recognition under ASC 958-605. In addition, \$9,715 has been reflected in the financial statements for the value of donated services performed by skilled volunteers for their time assisting DAVA with programs. These goods and services are included as in-kind contributions in the 2012 financial statements.

**Accrued Vacation Payable**

In accordance with the Financial Accounting Standards Board Standards Codification 710-10, *Accounting for Compensated Absences*, at December 31, 2012 the minimal amount remaining unused by employees could not be reasonably estimated and, accordingly, no provision is recorded.

**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.

**Functional Expense Allocation**

Whenever possible, DAVA charges expenses directly to the benefiting program or support services based upon reasonable and allocable basis, such as time expended or other basis. The Organization has maintained a consistent functional expense allocation.

**Concentration of Credit Risk**

Throughout the year, the Company maintained a small cash balance in a non-insured investment account. The balance in this account at December 31, 2012 was \$2,781. The Organization's remaining cash is held in bank accounts, of which approximately \$209,000 exceeded available insurance coverage from the FDIC.

**Income Taxes**

As mentioned in Note 1, the Organization is a 501(c)3 entity and is exempt from federal and state income taxes under application provisions of the Internal Revenue Code and the Colorado Income Tax Act of 1964 (as amended). The Organization did not report any unrelated income tax as of December 31, 2012. Information returns for fiscal years prior to 2010 are no longer subject to audit by taxing authorities.



**Downtown Aurora Visual Arts  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**2. Economic Dependency**

DAVA received a substantial amount of its total revenue and other support from the Scientific and Cultural Facilities District (approximately 19% in 2012). If a significant reduction in the level of such support were to occur it may have an adverse affect on DAVA's programs and activities.

**3. Fair Value Measuring Inputs**

The fair value hierarchy in ASC 820-10 prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as described in the following list.

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value.

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets in active markets
- Quoted prices for identical or similar assets in markets that are not active, prices are not current, or price quotations vary substantially over time, or among markets for which little information is released publicly
- Inputs other than quoted prices that are observable for the asset
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 Inputs are unobservable inputs for the asset. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset, including risk.

Earnings and changes in fair value are included in unrestricted net assets unless the investment is subject to donor restriction.

**Summary of  
Fair Value Measurements at Reporting Date**

<b><u>Description</u></b>	<b><u>Total</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>
Investments	\$ 4,542	\$ 4,542	\$ -	\$ -

**5. Pension Plan**

DAVA offers its employees the option to contribute to a 403(b) pension plan as part of a salary reduction arrangement. There is no matching required by the Organization.

**Downtown Aurora Visual Arts  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**6. Restrictions on Net Assets**

**Assets Released from Restriction**

Funds in the amount of \$89,854 were released from temporarily restricted net assets to unrestricted net assets by meeting time or donor restrictions in fiscal 2012.

**Capital Campaign**

Temporary restrictions on net assets at the end of 2012 totaled \$512,697 related to funds raised through DAVA's Capital Campaign, a drive to raise funds for renovations of DAVA's building of operations.

DAVA intends to modernize its facility so that it reflects the talents and potential of the kids they serve. To fund the renovation costs, DAVA has raised support of \$531,450 over a two year period, of which \$218,754 has been spent.

Support for the Capital Campaign includes a Community Development City of Aurora grant of \$200,000 that will be converted to debt if DAVA changes the use of the facilities before May 13, 2021. DAVA does not intend to change its use in the future, and as such, is accounting for the grant in temporarily restricted net assets until the satisfaction of DAVA's commitment in May, 2021.

**7. Lease Commitment**

DAVA has obligations under an operating lease agreement for a copier. The total monthly lease payments are \$202. The contract expires December 5, 2013. Rent incurred and expensed during 2012 was \$2,424 and is included in Occupancy Costs on the Statement of Functional Expenses.

Future minimum lease payments under the operating lease are as follows:

For the year ended December 31,	Amount
2013	\$ <u>2,422</u>
	\$ <u>2,422</u>

**8. Mortgage Payable**

DAVA refinanced its mortgage on Cole Plaza, the building which houses its offices and programs on Florence Street in central downtown Aurora, Colorado. The note bears interest at 6.50% and is payable in 35 equal monthly installments of \$460 commencing in November 2010 and ending in November 2013. The note is collateralized by a first deed of trust on the building. Interest incurred and expensed during 2012 was \$506 and is included in Occupancy Costs on the Statement of Functional Expenses.

Minimum principal payments required for each of the next three years and in total are as follows:

For the year ended December 31,	Amount
2013	\$ <u>4,905</u>
	\$ <u>4,905</u>

**Downtown Aurora Visual Arts**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**9. Line of Credit**

The Company has a line of credit with a financial institution for \$12,500. The line of credit automatically renews May of every year. At December 31, 2012 there was no outstanding balance on the line of credit.

**10. Subsequent Events**

The Company has evaluated subsequent events for the period from December 31, 2012, the issuance date of these financial statements, through November 6, 2013. There were no events or transactions occurring during this subsequent event reporting period that require recognition or disclosure in the financial statements. With respect to this disclosure, the Company has not evaluated subsequent events occurring after November 6, 2013.