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VENICE ART CENTER, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2014

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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Venice Art Center, Inc.  
Venice, Florida

We have audited the accompanying financial statements of Venice Art Center, Inc., a nonprofit organization, which comprise the statement of financial position as of December 31, 2014, 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 Venice Art Center, Inc. as of December 31, 2014, 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.

To the Board of Directors  
Venice Art Center, Inc.

**Other-Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Dowd Whittaker & Associates  
Certified Public Accountants  
Venice, Florida

March 24, 2015

**VENICE ART CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2014

(See Independent Auditors' Report)

<b>Assets</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 200,621	\$ 45,501	\$ 246,122
Accounts receivable	1,250	-	1,250
Grant receivable	-	36,517	36,517
Merchandise inventory	1,780	-	1,780
Prepaid insurance	8,030	-	8,030
Other current assets	347	-	347
Total Current Assets	212,028	82,018	294,046
<b>Non Current Assets</b>			
Property and equipment, net of \$758,438 accumulated depreciation	743,331	-	743,331
Investments	119,815	-	119,815
Total Non Current Assets	863,146	-	863,146
Total Assets	\$ 1,075,174	\$ 82,018	\$ 1,157,192
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 3,764	\$ -	\$ 3,764
Other payables	2,640	-	2,640
Deposit	1,500	-	1,500
Deferred sales	4,583	-	4,583
Total Current Liabilities	12,487	-	12,487
<b>Net Assets</b>			
Unrestricted	1,062,687	-	1,062,687
Temporarily restricted	-	82,018	82,018
Total Net Assets	1,062,687	82,018	1,144,705
Total Liabilities and Net Assets	\$ 1,075,174	\$ 82,018	\$ 1,157,192

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

**VENICE ART CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2014

(See Independent Auditors' Report)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and Support:</b>			
Donations	\$ 13,193	\$ 43,818	\$ 57,011
Grants	743	41,517	42,260
Membership	57,020	-	57,020
Gallery sales	103,123	-	103,123
Class fees	181,030	-	181,030
Special events	30,616	-	30,616
Exhibitions	20,152	-	20,152
Rental	8,004	-	8,004
Sea Venice sculpture sales, net	62,162	-	62,162
Sea Venice revenue	16,381	-	16,381
Interest	3,441	-	3,441
Realized gain on investment	5,151	-	5,151
Unrealized loss on investment	(5,486)	-	(5,486)
Other income	11,680	-	11,680
	<u>507,210</u>	<u>85,335</u>	<u>592,545</u>
Subtotal Revenue and Support			
Net assets released from restrictions	<u>90,679</u>	<u>(90,679)</u>	<u>-</u>
Total Revenue and Support	<u>597,889</u>	<u>(5,344)</u>	<u>592,545</u>
<b>Expenses:</b>			
Program services	480,034	-	480,034
Management and general	70,684	-	70,684
Fund raising	24,821	-	24,821
	<u>575,539</u>	<u>-</u>	<u>575,539</u>
Total Expenses			
Increase (decrease) in net assets	22,350	(5,344)	17,006
Net assets at beginning of year	<u>1,040,337</u>	<u>87,362</u>	<u>1,127,699</u>
Net assets at end of year	<u>\$ 1,062,687</u>	<u>\$ 82,018</u>	<u>\$ 1,144,705</u>

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

**VENICE ART CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2014

(See Independent Auditors' Report)

<b>Cash flows from operating activities:</b>	
Increase (decrease) in net assets	<u>\$ 17,006</u>
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
Depreciation	37,472
Change in accounts receivable	1,016
Change in grant receivable	(26,046)
Change in Sea Venice inventory	78,438
Change in merchandise inventory	2,374
Change in prepaid insurance	(328)
Change in other assets	375
Change in accounts payable	(1,947)
Change in other payables	976
Change in deposit	1,500
Change in deferred sales	740
Total Adjustments	<u>94,570</u>
Net cash provided (used) by operating activities	<u>111,576</u>
<b>Cash flows from investing activities:</b>	
Cash payments for purchase of equipment	(38,542)
Increase in investments	<u>(1,786)</u>
Net cash provided (used) by investing activities	<u>(40,328)</u>
Net increase (decrease) in cash and equivalents	71,248
Cash and equivalents, beginning of year	<u>174,874</u>
Cash and equivalents, end of year	<u>\$ 246,122</u>
Supplemental information:	
Income taxes paid	\$ -
Interest paid	\$ -

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

VENICE ART CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS

December 31, 2014

(See Independent Auditors' Report)

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

Organization

The Venice Art Center, Inc. (the "Center") is a not-for-profit organization formed under Internal Revenue Code Section 501(c)(3), located in Venice, Florida. The mission of the Center is to provide cultural resources to the community and to encourage the knowledge and appreciation of visual art in all of its forms. The Center provides arts, education, development and presentation of the fine arts to adults, senior citizens and children in the Venice community. The wide range of classes offered for both adults and children include painting, ceramics, jewelry, drawing, photography and workshops. Galleries and exhibitions are available for viewing and new displays are rotated on a frequent basis.

Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Venice Art Center, Inc. presents its financial statements using guidelines established under the Statement of Financial Accounting Standard Codification 958. This standard requires that a not-for-profit organization provide information regarding the net assets of the organization based on the existence or absence of donor-imposed restrictions. The types of restrictions are described as follows:

Temporarily restricted net assets – The part of net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that expire by passage of time or that can be fulfilled by actions of the organization pursuant to those stipulations.

Permanently restricted net assets – The part of net assets of a not-for-profit organization resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the organization pursuant to those stipulations. The Center had no permanently restricted net assets at December 31, 2014.

Unrestricted net assets – The part of net assets of a not-for-profit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Contributions

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.



VENICE ART CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

(See Independent Auditors' Report)

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

Contributions (Continued)

All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Grant Revenue

The Venice Art Center, Inc. receives certain grants from various local organizations temporarily restricted for assisting in projects for the Center. Once the funds have been expended on the intended purpose, the temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services

Volunteer services are recognized if the services received (a) create or increase non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Center had a substantial number of volunteers that donated significant amounts of their time to program services that were not recognized as program revenue and expense since they do not meet the criteria described above.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Center considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Center records accounts receivables at their net realizable value. Management considers all accounts receivable at December 31, 2014 to be collectible.

Inventory

The Venice Art Center, Inc. regularly maintains a small inventory of merchandise items valued at cost.

VENICE ART CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

(See Independent Auditors' Report)

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

**Investments**

Investments in marketable securities are recorded at their fair values. Fair value is the net asset value for money market and mutual funds, and the closing sale or bid for bonds and common stock. Realized and unrealized gains and losses are included in revenues on the Statement of Activities.

**Fixed Assets**

Fixed assets are recorded at cost or at estimated fair value at the date of donation. Depreciation is computed by the Modified Accelerated Cost Recovery System (MACRS) over lives ranging from 5 to 39.5 years.

**Income Tax Status**

The Center has been determined to be an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Income, if any, from certain activities not directly related to the Center's tax-exempt purpose is subject to taxation as unrelated business income.

**Functional Allocation of Expenses**

The Center allocates its expenses on a functional basis among its program and support services. Expenses that can be specifically identified with a program or support services are coded directly according to their natural classifications. Other expenses that are common to several functions are allocated based upon estimates made by management.

**Concentrations of Credit Risk**

Financial instruments that potentially subject the Center to credit risk include cash, accounts receivable and investments. The Center's management attempts to prudently manage cash and cash equivalents and monitors outstanding accounts receivable. Deposit accounts at each commercial banking institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2014, all account balances at the local institution were fully insured.

VENICE ART CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

(See Independent Auditors' Report)

**NOTE 2 - FAIR VALUE MEASUREMENTS**

FASB ASC Topic 820, *Fair Value Measurements* ("ASC 820") establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2            Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014.

*Level 1 measurements:* The fair values of cash and cash equivalents, common stock, and mutual funds are based on quoted market prices for those or similar investments.

*Level 2 measurements:* The fair value of fixed income securities are priced using evaluations which may be matrix or model based and do not necessarily reflect actual trades.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

VENICE ART CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

(See Independent Auditors' Report)

**NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, The Center's financial assets measured at fair value on a recurring basis as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents				
Checking account	\$ 41,477	\$ -	\$ -	\$ 41,477
Money market account	200,450	-	-	200,450
Cash on hand	508	-	-	508
PayPal	60	-	-	60
Undeposited funds	3,627	-	-	3,627
	<u>246,122</u>	-	-	<u>246,122</u>
Available-for-sale securities:				
Endowment fund	105,437	10,304	4,074	119,815
	<u>\$ 351,559</u>	<u>\$ 10,304</u>	<u>\$ 4,074</u>	<u>\$ 365,937</u>

During 1997 the Center established an endowment fund with a local Community Foundation. This Foundation invests all funds together and distributes income, gains and losses proportionally. For the year ending December 31, 2014, the Foundation considers 88.00% to be invested in Level 1, 8.60% to be invested in Level 2 and 3.40% to be invested in Level 3.

**NOTE 3 - CHARITABLE FUND AGREEMENT**

The Venice Art Center, Inc. established a charitable fund agreement with the Gulf Coast Community Foundation, Inc. ("GCCF") dated December 10, 1997. Generally, gifts and contributions received from the Venice Art Center, Inc. are retained by GCCF and net income is to be distributed to the Center annually. The fund balance as of December 31, 2014 is \$119,815.

The Venice Art Center, Inc. also has a beneficial interest in a separate fund with the Gulf Coast Community Foundation, Inc. Neither the Center nor the donors have any control over this fund. The fund balance as of December 31, 2014, is \$40,342.

VENICE ART CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

(See Independent Auditors' Report)

**NOTE 3 - CHARITABLE FUND AGREEMENT (Continued)**

The Center received \$743 from this fund during 2014. The fund balance is not reflected in these financial statements and its activity is summarized as follows:

Beginning balance		\$	30,692
Additions:			
Contributions	10,000		
Interest & dividends	649		
Realized/unrealized loss	<u>(89)</u>		
			10,560
Disbursements:			
Grants	(743)		
Administrative expense	<u>(167)</u>		
			(910)
Ending balance		\$	<u>40,342</u>

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2014:

Building and improvements	\$	1,305,141
Furniture and equipment		111,309
Landscaping		41,603
Sculptures		17,860
Signs		12,539
Work in progress - building expansion		<u>13,317</u>
		1,501,769
Less: Accumulated depreciation		<u>(758,438)</u>
	\$	<u>743,331</u>

Depreciation expense for the year ended December 31, 2014 was \$37,472.

A building expansion project has just commenced during 2014. Costs totaling \$13,317 have been expended for survey, engineering fees and architectural drawings. The final cost and completion date have not yet been determined.

VENICE ART CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

(See Independent Auditors' Report)

**NOTE 5 - LEASES**

The Venice Art Center, Inc.'s building is located on land which is owned by the City of Venice. A twenty year lease was entered into on December 13, 2011. The lease is for One Dollar (\$1) per year.

In December 2013, the Center signed a five year leasing agreement for office equipment to begin January 1, 2014, at a cost of \$322 per month. Equipment rent expense totaled \$4,721 for the year ended December 31, 2014.

Future minimum lease payments are as follows for the years ended December 31,

2015	\$	3,864
2016	\$	3,864
2017	\$	3,864
2018	\$	3,864

**NOTE 6 - RESTRICTIONS ON NET ASSETS**

Temporary restrictions on net assets as of December 31, 2014 consisted of the following:

Library shelves fund	\$	670
Freeman lighting fund		320
Altman Foundation fund		1,000
Adult scholarship fund		665
Campbell Foundation fund - emergency		10,000
Ceramics fund		540
Child scholarship fund		1,217
Karen Russo Memorial Award		646
Ehrhart exterior improvement fund		30,147
Progressive dinners fund		4,543
W Loranger courtyard fund		2,297
Nell Rude award		125
S. Sarasota County Student Art Show		300
TDC Tourism Grant		13,273
Holiday tea		1,500
Sarasota Student Show - Spring 2015		5,000
Chair replacement fund		4,775
Visit Sarasota Grant		5,000
		<u>5,000</u>
	\$	<u>82,018</u>

VENICE ART CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2014

(See Independent Auditors' Report)

**NOTE 7 - TAX RETURN STATUS**

The Venice Art Center, Inc. is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and therefore has no provision for income taxes.

Under federal and state income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed. At December 31, 2014 the Center's federal returns filed for 2011, 2012 and 2013 remain open for examination by the Internal Revenue Service.

**NOTE 8 - SUBSEQUENT EVENTS**

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, the Center has evaluated subsequent events to the Statement of Financial Position date of December 31, 2014 through March 24, 2015 (the date of financial statement issuance) for potential recognition and disclosure. Management has determined that there are no subsequent events that require disclosure.

**SUPPLEMENTARY INFORMATION**



**VENICE ART CENTER, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2014

(See Independent Auditors' Report)

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Wages and payroll taxes	\$ 125,133	\$ 13,208	\$ 695	\$ 139,036
Accounting	-	8,350	-	8,350
Advertising	22,846	2,412	127	25,385
Awards	17,070	-	-	17,070
Bank service fees	-	713	-	713
Class expense	97,459	-	-	97,459
Credit card processing fees	15,563	1,643	86	17,292
Depreciation	26,230	11,242	-	37,472
Development	2,583	194	-	2,777
Dues and subscriptions	-	1,357	-	1,357
Equipment rent	4,391	330	-	4,721
Exhibit expense	11,650	-	-	11,650
Fundraising	-	-	23,913	23,913
Gallery commissions	67,509	-	-	67,509
Insurance	-	27,847	-	27,847
Maintenance and improvements	25,130	-	-	25,130
Miscellaneous	1,642	-	-	1,642
Office supplies	8,377	1,142	-	9,519
Postage	6,622	736	-	7,358
Printing	1,263	172	-	1,435
Sea Venice expenses	21,147	-	-	21,147
Utilities	25,419	1,338	-	26,757
<b>Total Expenses</b>	<b>\$ 480,034</b>	<b>\$ 70,684</b>	<b>\$ 24,821</b>	<b>\$ 575,539</b>

The accompanying notes are an integral part of these financial statements