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VENICE ART CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2015

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CERTIFIED PUBLIC ACCOUNTANTS

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Member of American and
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INDEPENDENT AUDITOR'S 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, 2015, 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.

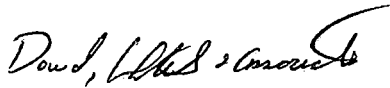
Opinion

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, 2015, 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.

Supplementary Information

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

May 5, 2016

VENICE ART CENTER, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015

(See Independent Auditor's Report)

Assets			
	Unrestricted	Temporarily Restricted	Total
Current Assets			
Cash and cash equivalents	\$ 147,203	\$ 123,044	\$ 270,247
Accounts receivable	195	-	195
Merchandise inventory	456	-	456
Prepaid insurance	3,957	-	3,957
Other current assets	1,381	-	1,381
Total Current Assets	153,192	123,044	276,236
Non Current Assets			
Property and equipment, net of \$799,671 accumulated depreciation	740,231	-	740,231
Investments	116,081	-	116,081
Total Non Current Assets	856,312	-	856,312
Total Assets	\$ 1,009,504	\$ 123,044	\$ 1,132,548
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 10,426	\$ -	\$ 10,426
Other payables	5,251	-	5,251
Deposit	1,500	-	1,500
Deferred sales	4,290	-	4,290
Total Current Liabilities	21,467	-	21,467
Net Assets			
Unrestricted	988,037	-	988,037
Temporarily restricted	-	123,044	123,044
Total Net Assets	988,037	123,044	1,111,081
Total Liabilities and Net Assets	\$ 1,009,504	\$ 123,044	\$ 1,132,548

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

VENICE ART CENTER, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2015

(See Independent Auditor's Report)

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Contributions	\$ 8,694	\$ 45,351	\$ 54,045
Contributions In-kind	26,365	-	26,365
Grants	-	44,645	44,645
Membership	57,980	-	57,980
Gallery sales	83,656	-	83,656
Class fees	234,046	-	234,046
Special events	41,381	-	41,381
Exhibitions	25,005	-	25,005
Rental	11,959	-	11,959
Interest	5,270	-	5,270
Realized gain on investments	6,484	-	6,484
Unrealized loss on investments	(12,102)	-	(12,102)
Other income	12,867	-	12,867
	501,605	89,996	591,601
Subtotal Revenue and Support			
Net assets released from restrictions	48,970	(48,970)	-
	550,575	41,026	591,601
Total Revenue and Support			
Expenses:			
Program services	561,246	-	561,246
Management and general	47,736	-	47,736
Fund raising	16,243	-	16,243
	625,225	-	625,225
Total Expenses			
Increase (decrease) in net assets	(74,650)	41,026	(33,624)
Net assets at beginning of year	1,062,687	82,018	1,144,705
Net assets at end of year	\$ 988,037	\$ 123,044	\$ 1,111,081

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, 2015

(See Independent Auditor's Report)

Cash flows from operating activities:	
Increase (decrease) in net assets	\$ <u>(33,624)</u>
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
Depreciation	41,233
Unrealized loss on investments	12,102
Change in accounts receivable	1,055
Change in grant receivable	36,517
Change in merchandise inventory	1,324
Change in prepaid insurance	4,073
Change in other assets	(1,034)
Change in accounts payable	6,662
Change in other payables	2,611
Change in deferred sales	<u>(294)</u>
Total Adjustments	<u>104,249</u>
 Net cash provided by operating activities	 <u>70,625</u>
 Cash flows from investing activities:	
Cash payments for capital assets	(38,134)
Change in investments	<u>(8,366)</u>
 Net cash used by investing activities	 <u>(46,500)</u>
 Net increase in cash and equivalents	 24,125
Cash and cash equivalents, beginning of year	<u>246,122</u>
 Cash and cash equivalents, end of year	 <u>\$ 270,247</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, 2015

(See Independent Auditor's 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, 2015.

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

December 31, 2015

(See Independent Auditor's 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 Center 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 receivable at their net realizable value. Management considers all accounts receivable at December 31, 2015 to be collectible.

Inventory

The Center maintains a small inventory of merchandise items valued at cost.

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.

VENICE ART CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2015

(See Independent Auditor's Report)

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

Property and Equipment

Property and equipment 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, 2015, \$2,262 was uninsured.

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 <ul style="list-style-type: none">• 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. |

VENICE ART CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2015

(See Independent Auditor's Report)

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

- Level 2 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, 2015.

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.

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, 2015:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents				
Checking account	\$ 104,280	\$ -	\$ -	\$ 104,280
Money market account	136,523	-	-	136,523
Cash on hand	458	-	-	458
PayPal	240	-	-	240
Undeposited funds	28,746	-	-	28,746
	<u>270,247</u>	-	-	<u>270,247</u>
Available-for-sale securities:				
Endowment fund	102,848	10,680	2,553	116,081
	<u>\$ 373,095</u>	<u>\$ 10,680</u>	<u>\$ 2,553</u>	<u>\$ 386,328</u>

VENICE ART CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(See Independent Auditor's Report)

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

In 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, 2015, the Foundation considers 88.6% to be invested in Level 1, 9.2% to be invested in Level 2 and 2.2% to be invested in Level 3.

NOTE 3 - CHARITABLE FUND AGREEMENTS

As noted above, the Center established a charitable fund agreement with the Gulf Coast Community Foundation, Inc. ("GCCF") dated December 10, 1997. Generally, gifts and contributions received from the Center are retained by GCCF and net income is to be distributed to the Center annually. The fund balance as of December 31, 2015 is \$116,081.

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, 2015, is \$36,924.

The Center received \$2,087 from this fund during 2015. The fund balance is not reflected in these financial statements and its activity is summarized as follows:

Beginning balance		\$	40,342
Additions:			
Contributions	-		
Interest & dividends	667		
Realized/unrealized loss	(1,801)		
			(1,134)
Disbursements:			
Grants	(2,087)		
Administrative expense	(197)		
			(2,284)
Ending balance		\$	36,924

VENICE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(See Independent Auditor's Report)

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2015:

Building and improvements	\$	1,317,539
Furniture and equipment		111,309
Landscaping		41,603
Sculptures		17,860
Signs		13,738
Work in progress - building expansion		37,853
		1,539,902
Less: Accumulated depreciation		(799,671)
		\$ 740,231

Depreciation expense for the year ended December 31, 2015 was \$41,233.

NOTE 5 - CONTINGENT LIABILITIES

In May 2015, the Center signed a contract with a local construction company for \$245,345 for its planned renovation project. At December 31, 2015 and as of May 5, 2016, the date these financials were available to be issued, the project was waiting permit approval from the City of Venice and had not started. The Center has paid a deposit of \$24,535 to the contractor, which is included as work-in-progress in these financial statements.

NOTE 6 - LEASES

The Center'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 (\$1.00) per year. See Note 8 for in-kind rent contribution.

The Center signed a five year leasing agreement for office equipment that began January 1, 2014, at a cost of \$322 per month. Equipment rental expense totaled \$4,540 for the year ended December 31, 2015.

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

2016	\$	3,864
2017		3,864
2018		3,864
		\$ 11,592

VENICE ART CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(See Independent Auditor's Report)

NOTE 7 - RESTRICTIONS ON NET ASSETS

Temporary restrictions on net assets as of December 31, 2015 consisted of the following:

Adult scholarship fund	665
Karen Russo Memorial Award	146
Campbell Foundation fund - emergency	30,000
Ceramics fund	790
Child scholarship fund	2,348
Ehrhart exterior improvement fund	39,881
Progressive dinners fund	4,693
W Loranger courtyard fund	2,297
Nell Rude award	125
S. Sarasota County Student Art Show	300
TDC Tourism Grant	9,274
Sarasota Student Show - Spring 2016	5,000
Chair replacement fund	4,775
Signage fund	11,500
Building expansion fund	11,250
	<u>\$ 123,044</u>

NOTE 8 - IN-KIND CONTRIBUTIONS

The Center receives in-kind contributions due to receiving below market value rent for the Center's facility leased from the City of Venice and for advertising received from local media sources. The total in-kind contributions for the year ended December 31, 2015 was \$9,300 for rent and \$17,065 for advertising.

VENICE ART CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2015

(See Independent Auditor's Report)

NOTE 9 - 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, 2015 the Center's federal returns filed for 2012, 2013 and 2014 remain open for examination by the Internal Revenue Service.

NOTE 10 - 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, 2015 through May 5, 2016 (the date the financial statements were available to be issued) 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, 2015

(See Independent Auditor's Report)

	Program Services	Management and General	Fund Raising	Total
Wages and payroll taxes	\$ 144,939	\$ 15,299	\$ 805	\$ 161,043
Accounting	-	8,025	-	8,025
Advertising	48,061	5,074	267	53,402
Awards	19,696	-	-	19,696
Bank service fees	-	671	-	671
Building rent	8,370	930	-	9,300
Class expense	125,767	-	-	125,767
Credit card processing fees	11,027	1,164	61	12,252
Depreciation	37,110	4,123	-	41,233
Development	-	-	6,598	6,598
Dues and subscriptions	-	1,465	-	1,465
Equipment rent	4,086	454	-	4,540
Exhibit expense	12,982	-	-	12,982
Fundraising	-	-	8,512	8,512
Gallery commissions	53,193	-	-	53,193
Insurance	29,882	3,320	-	33,202
Maintenance and improvements	20,034	2,226	-	22,260
Miscellaneous	2,169	242	-	2,411
Office supplies	12,847	1,427	-	14,274
Postage	2,642	294	-	2,936
Printing	3,113	346	-	3,459
Sea Venice expenses	1,245	-	-	1,245
Utilities	24,083	2,676	-	26,759
Total Expenses	\$ 561,246	\$ 47,736	\$ 16,243	\$ 625,225

The accompanying notes are an integral part of these financial statements