

**THE FOUNDATION FOR ART & MUSIC
IN ELEMENTARY EDUCATION, INC.**

FORT WAYNE, INDIANA

Financial Statements

as of June 30, 2016 and 2015

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LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants

Park Lake Medical Building
2410 Lake Avenue - P. O. Box 5486 - Fort Wayne, Indiana 46895-5486
260-423-9405

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Foundation for Art & Music
in Elementary Education, Inc.
Fort Wayne, Indiana

We have audited the accompanying statements of The Foundation for Art & Music in Elementary Education, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016 and 2015 and the related statements of activities and net assets, and cash flows for the years 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 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 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.

The Foundation for Art & Music
in Elementary Education, Inc.
Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation for Art & Music in Elementary Education, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purpose of additional analysis and are 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.

Leonard J. Andorfer & Co., LLP

LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants
Fort Wayne, Indiana

August 16, 2016

THE FOUNDATION FOR ART AND MUSIC IN ELEMENTARY EDUCATION, INC.

Statements of Financial Position

ASSETS	June 30 2016	June 30 2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 92,825	\$ 103,138
Cash and cash equivalents - designated	30,000	-
Accounts and grants receivable	21,833	15,644
Prepaid expenses	952	167
	<u>145,610</u>	<u>118,949</u>
Total Current Assets	145,610	118,949
PROPERTY AND EQUIPMENT		
Equipment	27,868	27,916
Leasehold improvements	800	800
Less: accumulated depreciation	(21,304)	(18,499)
	<u>7,364</u>	<u>10,217</u>
Total Property and Equipment (Net)	7,364	10,217
TOTAL ASSETS	<u>\$ 152,974</u>	<u>\$ 129,166</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 399	\$ 473
NET ASSETS		
Unrestricted	100,075	112,458
Unrestricted - board designated - technology	30,000	-
Temporarily restricted	22,500	16,235
	<u>152,575</u>	<u>128,693</u>
Total Net Assets	152,575	128,693
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 152,974</u>	<u>\$ 129,166</u>

The Notes to Financial Statements
are an integral part of the statements.

THE FOUNDATION FOR ART & MUSIC IN ELEMENTARY EDUCATION, INC.

**Statement of Activities and Net Assets
For the Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30 2016 Total	June 30 2015 Total
SUPPORT, REVENUE AND OTHER INCOME					
Contributions	\$ 82,142	\$ 22,500	\$ -	\$ 82,142	\$ 77,258
Grants	19,425	22,500	-	41,925	31,575
Admissions and fees	24,715	-	-	24,715	22,621
Registration fees	5,829	-	-	5,829	9,364
Memberships	2,460	-	-	2,460	2,560
Fundraising events - net of cost of goods sold of \$6,526 and \$1,881 in 2016 and 2015, respectively	(1,121)	-	-	(1,121)	4,336
Sales - net of cost of goods sold of \$1,769 and \$2,494 in 2016 and 2015, respectively	7,131	-	-	7,131	5,882
In-kind contributions	23,384	-	-	23,384	16,767
Gain (loss) on disposition of asset	(238)	-	-	(238)	-
Investment income	32	-	-	32	45
Net assets released from restrictions					
Restrictions satisfied by payments	16,235	(16,235)	-	-	-
Total Support, Revenue and Other Income and Net Assets Released from Restrictions	179,994	6,265	-	186,259	170,408
EXPENSES					
Program services	111,295	-	-	111,295	117,446
Management and general	50,327	-	-	50,327	52,808
Fundraising	755	-	-	755	1,033
Total Expenses	162,377	-	-	162,377	171,287
CHANGE IN NET ASSETS	17,617	6,265	-	23,882	(879)
NET ASSETS - BEGINNING OF YEAR	112,458	16,235	-	128,693	129,572
NET ASSETS - END OF YEAR	\$ 130,075	\$ 22,500	\$ -	\$ 152,575	\$ 128,693

The Notes to Financial Statements
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THE FOUNDATION FOR ART & MUSIC IN ELEMENTARY EDUCATION, INC.

**Statement of Activities and Net Assets
For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>June 30 2015 Total</u>
SUPPORT, REVENUE AND OTHER INCOME				
Contributions	\$ 77,258	\$	\$	\$ 77,258
Grants	13,575	18,000		31,575
Admissions and fees	22,621			22,621
Registration fees	9,364			9,364
Memberships	2,560			2,560
Fundraising events-net of cost of goods sold of \$1,881	4,336			4,336
Sales - net of cost of goods sold of \$2,494	5,882			5,882
In-kind contributions	16,767			16,767
Investment income	45			45
Net assets released from restrictions				
Restrictions satisfied by payments	<u>30,825</u>	<u>(30,825)</u>		<u>-</u>
Total Support, Revenue and Other Income and Net Assets Released from Restrictions	183,233	<u>(12,825)</u>	-	170,408
EXPENSES				
Program services	117,446			117,446
Management and general	52,808			52,808
Public art statue project	1,033			1,033
Total Expenses	<u>171,287</u>	<u>-</u>	<u>-</u>	<u>171,287</u>
CHANGE IN NET ASSETS	11,946	<u>(12,825)</u>	-	<u>(879)</u>
NET ASSETS - BEGINNING OF YEAR	<u>100,512</u>	<u>29,060</u>		<u>129,572</u>
NET ASSETS - END OF YEAR	<u>\$ 112,458</u>	<u>\$ 16,235</u>	<u>\$ -</u>	<u>\$ 128,693</u>

The Notes to Financial Statements
are an integral part of the Statements.

THE FOUNDATION FOR ART AND MUSIC IN ELEMENTARY EDUCATION, INC.

Statements of Cash Flows

	For the Year Ended <u>June 30, 2016</u>	For the Year Ended <u>June 30, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 23,882	(\$ 879)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Loss on sale of asset	238	-
Depreciation	3,146	3,186
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(6,189)	7,638
Decrease (increase) in prepaid expenses	(785)	296
Decrease in accounts payable	(74)	(7)
Net Cash Provided by Operating Activities	20,218	10,234
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(531)	(1,989)
CASH FLOWS FROM FINANCING ACTIVITIES		
None	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,687	8,245
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>103,138</u>	<u>94,893</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 122,825</u>	<u>\$ 103,138</u>

The Notes to Financial Statements
are an integral part of the statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization

The Foundation for Art and Music in Elementary Education, Inc. (F.A.M.E.) is a non-profit organization located in Fort Wayne, Indiana. Annual programs exist to provide resources for elementary students to experience and participate in the creative arts. These programs include an annual festival, summer camp, teacher workshops and other activities that support their mission. The Organization's mission is to foster and perpetuate creativity through multicultural arts education in Fort Wayne, Wabash and the surrounding communities.

NOTE 2 - Summary of Significant Accounting Policies

Financial Statement Presentation – F.A.M.E. has adopted FASB ASC 958-210-45-8. Under FASB ASC 958-210-45-8, F.A.M.E. 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. In addition, the Bureau is required to present a statement of cash flows.

Use of 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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Expenses - The Foundation for Art and Music in Elementary Education, Inc. allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to multiple functions are allocated by various statistical bases.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Uncollectible Receivables - Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Contributions and Contributions Receivable – F.A.M.E. has adopted FASB ASC 958-605-05. Under FASB ASC 958-605-05 contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions including gifts, grants, bequest, pledges, and other unconditional promises to give are recorded as revenue in the period received. 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. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Donated Materials and Services - Donated services are recognized as contributions in accordance with FASB ASC 958-605-05, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the period ended June 30, 2016 and 2015 there were contributed materials meeting the requirements for recognition in the financial statements of \$23,384 and \$16,767, respectively.

Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value. 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. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over the following periods:

Leasehold improvements	20 years
Property and equipment	5 - 10 years

Depreciation expense amounted to \$3,146 and \$3,186 for the periods ending June 30, 2016 and 2015, respectively. Disposals are removed from the accounts at their original cost when identification is possible. Donated fixed assets are valued at estimated fair market value and recorded as contributed assets.

Expenditures for maintenance and repairs are charged to expense as incurred, while additions and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts, and any gain or loss is credited or charged to income.

Financial Statement Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of F.A.M.E., Inc. and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Unrestricted Net Assets - Board Designated - Board designated net assets represent amounts established by the board of directors and represent unrestricted funds which have been set aside for future operations and/or projects.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of F.A.M.E., Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net unrestricted assets if the restriction expires or is met in the reported period in which the support is recognized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued) – *Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by F.A.M.E., Inc. Generally, the donors of these assets permit FAME, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

Advertising Costs – Advertising and promotional program costs are charged to expense during the period in which they are incurred. Promotional costs of \$1,333 and \$1,462 were incurred in the periods ending June 30, 2016 and 2015, respectively.

Income Taxes – The Foundation for Art and Music in Elementary Education, Inc. is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 50% charitable contribution limitation.

The Organization has adopted FASB ASC 740-10-25 and determined no material unrecognized tax benefits or liabilities exist as of June 30, 2016. The adoption of FASB ASC 740-10-25 did not impact the Organization's financial position or results of operations. If applicable, the Organization will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of June 30, 2016, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year. The organization is generally no longer subject to examination by Federal and State agencies for tax years before July 31, 2012.

Reclassifications – Certain amounts in 2015 have been reclassified to conform to the 2016 presentation. The reclassification has no effect on net income for the year ended June 30, 2015.

Compensated Absences – Compensated absences have not been accrued because the amount is not deemed material.

NOTE 3 - Concentration of Credit Risk

The Organization maintains cash balances at various financial institutions. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation. No uninsured cash balances existed at June 30, 2016 and 2015.

NOTE 4 – Accounts and Grants Receivable

All receivables are due within one year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – In-Kind Contributions

F.A.M.E. records the use of facilities, services, equipment and supplies as they are donated. A recap of all in-kind contributions follows:

	For the Year Ended	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Benefit	\$ 4,040	\$ 425
Fusion	51	-
Wabash Festival	2,270	2,510
Fort Wayne Festival	15,370	11,395
Imaginarium	1,153	1,114
Camp	-	100
Administrative	500	607
Composition Project	-	616
	<u>\$ 23,384</u>	<u>\$ 16,767</u>

NOTE 6 - Restrictions on Assets

Temporarily restricted net asset are available for the following purposes:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>
2015-2016 operations	16,235		16,235	-
2016-2017 operations	-	22,500		22,500
	<u>\$ 16,235</u>	<u>\$ 22,500</u>	<u>\$ 16,235</u>	<u>\$ 22,500</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – Operating Leases

F.A.M.E. leases office and storage space from unrelated entities. The office lease runs from August 1, 2015 to June 30, 2018 with a monthly rent of \$363. Storage space is rented on a month-to-month basis and event space is rented on a short-term basis each year. Total rent expense for the years ended June 30, 2016 and 2015 was \$41,056 and \$40,216, respectively.

Future minimum payments under the terms of the office lease are as follows:

Year Ended	
<u>June 30</u>	<u>Amount</u>
2016	\$ 4,350
2017	4,350
2018	4,350

NOTE 8 - Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 16, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE FOUNDATION FOR ART & MUSIC IN ELEMENTARY EDUCATION, INC.

**Schedule of Functional Expenses
For the Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)**

	Program Services	Management and General	Fundraising	Total 2016 Expenses	Total 2015 Expenses
Employee Compensation					
Salaries, wages and payroll taxes	\$ 52,762	\$ 28,763	\$	\$ 81,525	\$ 87,757
Benefits	2,032	1,034		3,066	2,929
Total Employee Compensation	54,794	29,797		84,591	90,686
Other Expenses					
Bank charges		72		72	60
Campaign expense			755	755	1,033
Dues and subscriptions		25		25	165
Insurance		1,265		1,265	1,244
Legal and professional		5,631		5,631	5,373
Miscellaneous		818		818	596
Postage	91	845		936	1,221
Printing	5,385	277		5,662	4,877
Promotions	833	500		1,333	1,462
Rent	34,526	6,530		41,056	40,216
Scholarship	2,300			2,300	8,500
Supplies	10,459	1,227		11,686	8,186
Telephone		65		65	780
Travel and lodging	2,907	129		3,036	3,702
Total Expenses Before Depreciation	111,295	47,181	755	159,231	168,101
Depreciation		3,146		3,146	3,186
Total Expenses	\$ 111,295	\$ 50,327	\$ 755	\$ 162,377	\$ 171,287

The Notes to Financial Statements
are an integral part of the statements.

THE FOUNDATION FOR ART & MUSIC IN ELEMENTARY EDUCATION, INC.

**Schedule of Functional Expenses
For the Year Ended June 30, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total 2015 Expenses</u>
Employee Compensation				
Salaries, wages and payroll taxes	\$ 57,434	\$ 30,323	\$	\$ 87,757
Benefits	1,904	1,025		2,929
Total Employee Compensation	<u>59,338</u>	<u>31,348</u>		<u>90,686</u>
Other Expenses				
Bank charges		60		60
Campaign expense			1,033	1,033
Dues and subscriptions		165		165
Insurance		1,244		1,244
Legal and professional		5,373		5,373
Miscellaneous		596		596
Postage	187	1,034		1,221
Printing	4,737	140		4,877
Promotions	962	500		1,462
Rent	33,736	6,480		40,216
Scholarship	8,500			8,500
Supplies	6,342	1,844		8,186
Telephone		780		780
Travel and lodging	3,644	58		3,702
Total Expenses Before Depreciation	<u>117,446</u>	<u>49,622</u>	<u>1,033</u>	<u>168,101</u>
Depreciation		3,186		3,186
Total Expenses	<u>\$ 117,446</u>	<u>\$ 52,808</u>	<u>\$ 1,033</u>	<u>\$ 171,287</u>

The Notes to Financial Statements
are an integral part of the statements.