

**INSTITUTE FOR DOCTORAL STUDIES
IN THE VISUAL ARTS**

PORTLAND, MAINE

FINANCIAL STATEMENT AUDIT

APRIL 30, 2009

INSTITUTE FOR DOCTORAL STUDIES IN THE VISUAL ARTS
PORTLAND, MAINE
APRIL 30, 2009

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors

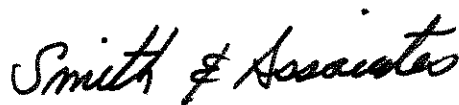
INSTITUTE FOR DOCTORAL STUDIES IN THE VISUAL ARTS

Portland, Maine

We have audited the accompanying statement of financial position of the Institute for Doctoral Studies in the Visual Arts (a non-profit organization) as of April 30, 2009, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Institute for Doctoral Studies in the Visual Arts' management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute for Doctoral Studies in the Visual Arts as of April 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



SMITH & ASSOCIATES, CPAs

A Professional Association

Yarmouth, Maine

January 27, 2010

Smith & Associates, CPAs
A Professional Association

Yarmouth, Maine 04096

EXHIBIT A

**INSTITUTE FOR DOCTORAL STUDIES IN THE VISUAL ARTS
STATEMENT OF FINANCIAL POSITION
YEAR ENDED APRIL 30, 2009**

Assets

Cash and Cash Equivalents	\$ 54,686
Accounts Receivable	0
Pledges Receivable	2,500
Tuition Receivable	144,277
Prepaid Expenses	26,641
Long-Term Notes Receivable	10,914
Property and Equipment (Net)	<u>2,767</u>

Total Assets \$ 241,785

Liabilities

Accounts Payable	\$ 0
Accrued Payroll and Employee Benefits	2,914
Deferred Tuition Revenue	203,014
Credit Card Payable	400
Line Credit Payable	<u>140,807</u>

Total Liabilities \$ 347,135

Net Assets

Unrestricted \$ (105,350)

Total Net Assets \$ (105,350)

EXHIBIT B**INSTITUTE FOR DOCTORAL STUDIES IN THE VISUAL ARTS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2009****Support and Other Revenues**

Gross Tuition	\$ 469,750
Less: Scholarships Awarded	<u>94,000</u>
Net Tuition	\$ 375,750
Finance and Application Fees	989
Contributions and Grants	<u>33,570</u>
Total Support and Other Revenues	\$ <u>410,309</u>

Expenses

Doctorate Program	\$ 296,737
Management and General	149,862
Fundraising	<u>2,266</u>

Total Expenses **\$ 448,865**

Changes in Net Assets **\$ (38,556)**

Net Assets at Beginning of Year **(66,794)**

Net Assets at End of Year **\$ (105,350)**

INSTITUTE FOR DOCTORAL STUDIES IN THE VISUAL ARTS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2009

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 64,546	\$ 89,786	\$ 0	\$ 154,332
Residencies	153,113	0	0	153,113
Faculty Fees	39,800	0	0	39,800
Advertising and Promotion	19,264	455	433	20,152
Payroll Taxes	5,026	8,821	0	13,847
Occupancy	0	11,520	0	11,520
Office Expenses	180	9,753	104	10,037
Books and Publications	9,542	104	0	9,646
Travel	0	6,835	0	6,835
Insurance	0	5,774	0	5,774
Information Technology	5,156	0	0	5,156
Interest	0	4,790	0	4,790
Meals and Entertainment	110	2,300	1,713	4,123
Accounting Fees	0	2,850	0	2,850
Bank Fees	0	2,623	0	2,623
Legal Fees	0	1,740	0	1,740
Conferences and Meetings	0	1,124	0	1,124
Miscellaneous and General	<u>0</u>	<u>0</u>	<u>16</u>	<u>16</u>
Total Expenses Before Depreciation	\$ 296,737	\$ 148,475	\$ 2,266	\$ 447,478
Depreciation	<u>0</u>	<u>1,387</u>	<u>0</u>	<u>1,387</u>
Total Functional Expenses	<u>\$ 296,737</u>	<u>\$ 149,862</u>	<u>\$ 2,266</u>	<u>\$ 448,865</u>

See Notes to Financial Statements.

EXHIBIT D**INSTITUTE FOR DOCTORAL STUDIES IN THE VISUAL ARTS
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2009**

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	\$ (38,556)
Adjustments to Reconcile Change in Total Net Assets to Net Cash Flows from Operating Activities	
Depreciation Expense	1,387
(Increase) Decrease in Accounts Receivable	40,712
(Increase) Decrease in Prepaid Expenses	18,225
Increase (Decrease) in Accounts Payable	0
Increase (Decrease) in Accrued Expenses	(9,966)
Increase (Decrease) in Deferred Revenues	(2,995)
Increase (Decrease) in Credit Card Payable	<u>(807)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,000</u>
Net Cash Provided (Used) by Investing Activities	
Expenditures for Property and Equipment	\$ 0
Increase in Notes Receivable	<u>(10,914)</u>
Net Cash Provided (Used) by Financing Activities	<u>\$ (10,914)</u>
Cash Flows from Financial Activities	
Increase in Line of Credit Payable	<u>\$ 46,400</u>
Net Increase (Decrease) in Cash	\$ 43,486
Cash at Beginning of Year	<u>11,200</u>
Cash at End of Year	<u>\$ 54,686</u>
Supplemental Disclosure	
Cash Paid during the year for: Interest	<u>\$ 4,790</u>

See Notes to Financial Statements.

INSTITUTE FOR DOCTORAL STUDIES IN THE VISUAL ARTS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Institute for Doctoral Studies in the Visual Arts (IDSVA) was incorporated in 2006 under the laws of the State of Maine for the purpose of providing doctoral studies in philosophy and art theory to visual artists, creative scholars, and arts professionals. With the passage of Maine State Legislature Bill L.D. 462, signed into law by the Governor of Maine on March 1, 2007, the Institute for Doctoral Studies in the Visual Arts was granted legal authority to confer the PhD degree. The mission of IDSVA is to operate a school of graduate studies providing education in philosophy, aesthetics, art theory, and similar disciplines related to the visual arts.

The Institute is supported primarily through tuitions and contributions for scholarship awards.

The accounting policies of IDSVA conform to generally accepted accounting principles applicable to non-profit organizations. The following is a summary of the more significant policies.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Institute 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.

Net assets of the two restricted classes are created only by donor-imposed time or purpose restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Basis of Accounting

The financial statements of the Institute have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payable, and other liabilities.

Revenue Recognition

Revenues are recognized on the accrual basis of accounting. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in the temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets and recorded in the statement of activities as net assets released from restrictions.

INSTITUTE FOR DOCTORAL STUDIES IN THE VISUAL ARTS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

In-kind contributions are recorded at fair value and recognized as revenue in the accounting period when they are received. In-kind contributions for use of facilities are included in contributions on the statement of activities and amounted to \$11,520 for the year ended April 30, 2009.

Functional Allocation of Expenses

The costs of providing IDSVA's various programs and activities have been summarized on a functional basis within the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Pledges Receivable

The Institute records unconditional promises to give as receivables and revenues, and distinguishes between contributions received for each net asset category in accordance with specific donor imposed restrictions. Management has deemed all amounts collectable.

Tuition Receivable

Tuition receivable includes amounts due for tuition and fees and are stated at the amount management expects to collect from balances outstanding at year-end. Tuition is due in May and December. An alternative payment plan may be arranged to pay equal monthly installments. All tuition must be paid in full by the end of each semester. Management does not believe that an allowance for amounts uncollectable is necessary since amounts are usually paid prior to the beginning of the semester and management has the ability to suspend services for nonpayment. Management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Student Loans Receivable

IDSVA's management approved to administer loans to students for tuition. Loans are payable upon graduation and carry interest rates of 7% per annum. Students' degrees will be held by the school until full payment has been received. Management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Property and Equipment

Purchased property and equipment is recorded at cost, while donated property and equipment is recorded at its fair value at the date of the gift. Maintenance and repairs, which do not extend the useful lives of the property and equipment are charged to appropriate expense accounts in the year incurred.

INSTITUTE FOR DOCTORAL STUDIES IN THE VISUAL ARTS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Those estimated lives are as follows:

Furniture and Equipment	3 – 5 Years
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Deferred Tuition Revenue

The Institute records tuitions billed for the upcoming semester, but not earned as deferred revenue.

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.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Institute considers all highly liquid investments available for current use with an initial maturity of nine months or less to be cash equivalents.

NOTE 2 - TAX STATUS

The Institute is a non-profit organization exempt from income tax under the Internal Revenue Code Section 501(c)(3) and as such, contributions to the Institute qualify for the charitable contribution deduction of individual donors. The Institute has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

NOTE 3 – LINE OF CREDIT

The Institute has a revolving line of credit arrangement with Key Bank, the outstanding balance of which is limited to \$150,000. The interest rate to be applied to the unpaid principal balance is at a rate of 0.5% over the Index, resulting in a rate of 3.25% as of April 30, 2009. The balance of this note was \$140,807 at April 30, 2009. The note is guaranteed by Daniel Wellehan, a former Director of the Board.

Subsequent to the balance sheet date, the line of credit limit was reduced to \$100,000.

NOTE 4 – CREDIT RISK

The Institute maintains its cash in bank deposit accounts at various financial institutions, which at times may exceed federally reserved limits. The School has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash.

INSTITUTE FOR DOCTORAL STUDIES IN THE VISUAL ARTS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2009

NOTE 5 – PROPERTY AND EQUIPMENT

Fixed assets consisted of the following at April 30, 2009:

Equipment	\$ 6,941
Less: Accumulated Depreciation	<u>(4,174)</u>
Fixed Assets, Net	<u>\$ 2,767</u>

Depreciation expense was \$1,387 for the year ending April 30, 2009.

NOTE 6 - DONATED FACILITIES

The value of donated facilities for the year ended April 30, 2009, is as follows:

Revenue	
Contributions	\$ <u>11,520</u>
Expense	
Rent	\$ <u>11,520</u>

The Institute's administrative office is located at 130 Neal Street in Portland, Maine. The furnished space is located in the home of George Smith, President of the Institute and Amy Curtis, Finance Administrator. Management has determined that a fair market value for the space is \$950 per month.

NOTE 7 – ADVERTISING EXPENSE

Advertising costs are expensed as incurred. Advertising expense amounted to \$20,152 for the year ending April 30, 2009.