

IMAGINATION CELEBRATION OF FORT WORTH, INC.

FINANCIAL REPORT

JUNE 30, 2009 AND 2008

CHARLES O. PAUL

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Imagination Celebration of Fort Worth, Inc.
Fort Worth, Texas

We have audited the accompanying statements of financial position of Imagination Celebration of Fort Worth, Inc. (the Organization) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Organization as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 1 to the financial statements, the Organization has suffered recurring reductions in its net assets and currently has a deficiency in its net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



Charles O. Paul
October 27, 2009
North Richland Hills, Texas

**IMAGINATION CELEBRATION OF FORT WORTH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008**

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ -	\$ 6,263
Contributions and grants receivable	48,950	69,251
Accounts receivable, net of allowance for uncollectible accounts of \$7,525 in 2009 and 2008	<u>19,631</u>	<u>5,109</u>
Total current assets	68,581	80,623
Fixed assets at cost, net of accumulated depreciation	<u>9,922</u>	<u>-</u>
Total assets	<u><u>\$ 78,503</u></u>	<u><u>\$ 80,623</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Bank overdraft	\$ 10,573	\$ -
Line of credit	34,950	-
Accounts payable	<u>69,786</u>	<u>89,855</u>
Total current liabilities	<u>115,309</u>	<u>89,855</u>
Commitments and contingencies		
Net assets:		
Unrestricted	(36,806)	(59,232)
Temporarily restricted	<u>-</u>	<u>50,000</u>
Total net assets	<u>(36,806)</u>	<u>(9,232)</u>
Total liabilities and net assets	<u><u>\$ 78,503</u></u>	<u><u>\$ 80,623</u></u>

The accompanying notes are an integral part of the financial statements
(1)

**IMAGINATION CELEBRATION OF FORT WORTH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Contributions	\$ 297,234	\$ -	\$ 297,234	\$ 342,485	\$ 50,000	\$ 392,485
Governmental agencies	160,897	-	160,897	188,909	-	188,909
Special events income (net of direct expenses)	55,686	-	55,686	56,793	-	56,793
Other income	30	-	30	2,188	-	2,188
Assets released from restriction	50,000	(50,000)	-	-	-	-
	<u>563,847</u>	<u>(50,000)</u>	<u>513,847</u>	<u>590,375</u>	<u>50,000</u>	<u>640,375</u>
Expenses:						
Program services						
Community services	407,664	-	407,664	509,760	-	509,760
Supporting services						
Management and general	133,757	-	133,757	133,015	-	133,015
	<u>541,421</u>	<u>-</u>	<u>541,421</u>	<u>642,775</u>	<u>-</u>	<u>642,775</u>
Increase in net assets	22,426	(50,000)	(27,574)	(52,400)	50,000	(2,400)
Net assets, beginning of year	<u>(59,232)</u>	<u>50,000</u>	<u>(9,232)</u>	<u>(6,832)</u>	<u>-</u>	<u>(6,832)</u>
Net assets, end of year	<u>\$ (36,806)</u>	<u>\$ -</u>	<u>\$ (36,806)</u>	<u>\$ (59,232)</u>	<u>\$ 50,000</u>	<u>\$ (9,232)</u>

The accompanying notes are an integral part of the financial statements
(2)

**IMAGINATION CELEBRATION OF FORT WORTH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (27,574)	\$ (2,400)
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:		
Depreciation	1,102	1,910
Changes in assets and liabilities		
Contributions and grants receivable	20,301	(60,751)
Accounts receivable	(14,522)	6,898
Bank overdraft	10,573	-
Accounts payable	(20,069)	53,177
Net cash provided by operating activities	(30,189)	(1,166)
 Cash flows from investing activities:		
Equipment purchase	(11,024)	-
Net cash used in investing activities	(11,024)	-
 Cash flows from financing activities:		
Borrowing on line of credit	34,950	-
Net cash provided by financing activities	34,950	-
 Net change in cash and cash equivalents	(6,263)	(1,166)
 Cash and cash equivalents, beginning of year	6,263	7,429
 Cash and cash equivalents, end of year	\$ -	\$ 6,263

Schedule of non-cash investing and financing activities:

None

Supplemental cash flow information:

Interest received	\$ -	\$ -
Interest paid	868	-

The accompanying notes are an integral part of the financial statements
(3)

**IMAGINATION CELEBRATION OF FORT WORTH, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	2009			2008		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
Salaries	\$ 81,528	\$ 66,270	\$ 147,798	\$ 95,039	\$ 61,920	\$ 156,959
Benefits	6,422	5,221	11,643	7,537	4,910	12,447
Total	87,950	71,491	159,441	102,576	66,830	169,406
Contract labor	29,462	11,506	40,968	23,294	10,402	33,696
Facility rental	12,733	17,472	30,205	18,432	14,812	33,244
Insurance	5,663	5,944	11,607	4,700	23,577	28,277
Interest	-	868	868	-	-	-
Miscellaneous	-	570	570	-	1,828	1,828
Office expense and supplies	-	15,491	15,491	-	8,468	8,468
Performance fees	126,284	-	126,284	176,368	-	176,368
Postage	390	2,089	2,479	982	1,277	2,259
Professional Fees	-	2,776	2,776	-	2,500	2,500
Advertising	4,227	-	4,227	2,195	-	2,195
Telephone	4,080	1,674	5,754	5,251	1,411	6,662
Artist, program and administrative travel	34,455	-	34,455	69,307	-	69,307
Student transportation	50,873	-	50,873	63,256	-	63,256
Depreciation	-	1,102	1,102	-	1,910	1,910
Printing	2,585	2,774	5,359	4,730	-	4,730
Deaf Program	48,962	-	48,962	38,669	-	38,669
Total	\$ 407,664	\$ 133,757	\$ 541,421	\$ 509,760	\$ 133,015	\$ 642,775

The accompanying notes are an integral part of the financial statements

**IMAGINATION CELEBRATION OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Imagination Celebration of Fort Worth, Inc. (the Organization) was Incorporated as a Texas nonprofit organization on February 15, 1989. The Organization was originally established in 1988 to be one of the twelve national sites for the Kennedy Center Imagination Celebration. The Organization relies on public support for its operating resources.

Continued Operations

The Organization has incurred substantial decreases in its net assets over the past several years. Additionally, the Organization's liabilities of \$115,309 exceed its assets by \$36,806. These conditions along with the current economic environment raise substantial doubt about the ability of the Organization to continue as a going concern.

Management believes that its plan which has been implemented, which includes expense reductions and programming reductions combined with increased fund-raising activities by the Board of Directors and an increase in development activity through the solicitation of new funding sources will allow the Organization to continue as a going concern.

Nature of Activities

The Organization coordinates the arts education and outreach programs of the community's cultural organizations with the Fort Worth Independent School District and other area public and private schools. These programs reach students from all parts of the community. All programs are interpreted for the deaf and have special provisions for the blind and physically handicapped.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenues are recognized when pledges are received and expenses are recognized when incurred. For financial reporting purposes, the Organization's net assets are grouped and reported by the following classifications:

Unrestricted - includes funds that represent resources over which the Board of Directors has discretionary control to carry out operations of the Organization in accordance with its bylaws.

IMAGINATION CELEBRATION OF FORT WORTH, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Temporarily Restricted - includes funds that represent resources expendable only for those operating purposes specified by the donor. Resources of this classification originate principally from grants and gifts.

Advertising

Advertising costs are expensed as incurred. Included in unrestricted expenses are advertising costs of \$4,227 and \$2,195, respectively, for years ended June 30, 2009 and 2008.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the internal Revenue Code. In addition, the Internal Revenue Service has determined that the Organization is not considered a private foundation within the meaning of Section 509(a) of the Code.

Concentrations of Risk

The Organization's business activity is within the Tarrant County Area. Contributions are collected primarily from businesses and individuals that operate within the Fort Worth Area. The Organization's receipt of contributions is dependent upon the prevailing economy in the Fort Worth/Tarrant County Area.

Donated Noncash Assets and Services

Donated noncash assets 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 asset to a specific purpose.

A substantial number of volunteers have donated significant amounts of time to the Agency's activities. However, the Organization only recognizes donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The organization recognized \$50,000 and \$58,800 in revenues and expenses for donated services for the periods ended June 30, 2009 and 2008, respectively.

Support and Revenue

The Organization reports contributions with donor-imposed restrictions as restricted support; however, contributions with donor-imposed restrictions whose restrictions are met in the same fiscal year are reported as unrestricted support.

**IMAGINATION CELEBRATION OF FORT WORTH, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 . SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Compensated Absences

Employees do not accrue vacation or sick leave and are not compensated for these if terminated. Vacation and sick leave time does not vest.

Statement of Cash Flows

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

The Organization capitalizes the cost of property and equipment having a useful life of one year or more. Donations of land, buildings, and equipment are similarly capitalized and recorded as unrestricted support at their fair market value. Such donations are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Depreciation using the straight-line method is provided over the estimated useful lives of the assets. Property and equipment consists solely of furniture and equipment. As of June 30, 2009 and 2008, property and equipment accumulated depreciation totaled \$17,566 and \$16,463, respectively. The organization expenses repairs as incurred.

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

IMAGINATION CELEBRATION OF FORT WORTH, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and contributions receivable.

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Organization monitors the credit worthiness of each financial institution with which it conducts business and has not experienced any losses in such accounts.

NOTE 3. LEASES

The Organization is obligated under an operating lease for certain office space. Rental expense of approximately \$14,800 was incurred for the year ended June 30, 2009. The lease renews on an annual basis.

NOTE 4. LINE OF CREDIT

The Organization has a \$35,000 line of credit agreement with a bank. The line of credit is due in November 2010. Interest is payable monthly at the bank's prime interest rate (4.00% at the date of the note) plus 2.00%. The note is unsecured. At June 30, 2009, there was \$34,950 drawn under this agreement. Nothing was outstanding at June 30, 2008.

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2008, temporarily restricted net assets consist of a \$50,000 pledge from a local foundation which represents a time restricted grant.