

ARTSTECH

AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2007

STEWART ACCOUNTING SERVICES

INDEPENDENT AUDITOR'S REPORT

To: Board of Directors, ArtsTech

I have audited the statement of financial position of ArtsTech as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ArtsTech as of June 30, 2007 and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.


John Stewart, CPA

January 3, 2008

ARTSTECH
Statement of Financial Position
June 30, 2007

ASSETS

Current Assets

Cash	\$121,861
Inventory	15,000
Other Assets	<u>25,577</u>
Total Current Assets	162,438

Property and Equipment, at cost, Less accumulated depreciation	<u>1,143,702</u>
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TOTAL ASSETS	<u>\$1,306,140</u>
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LIABILITIES

Long Term Liabilities

Mortgage Payable	<u>\$1,091,042</u>
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Total Long Term Liabilities	1,091,042
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Net Assets	<u>215,098</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$1,306,140</u>
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See Notes to Financial Statements

ARTSTECH
Statement of Activities
Year Ended June 30, 2007

REVENUES

Contributions	\$57,600
Government grants and contracts	743,682
Administrative fees	106,288
Sales to Government Agencies	15,234
Computer Redistribution	124,793
Rental Income	6,600
Other Income	<u>1,945</u>
TOTAL REVENUES	<u>1,056,142</u>

EXPENSES

Administration	95,890
Program services	<u>857,348</u>
TOTAL EXPENSES	<u>953,238</u>

CHANGE IN NET ASSETS FROM OPERATIONS	102,904
NET ASSETS AT BEGINNING OF YEAR	<u>112,194</u>
NET ASSETS AT END OF YEAR	<u>\$ 215,098</u>

See Notes to Financial Statements

ARTSTECH
Statement of Functional Expenses
Year Ended June 30, 2007

<u>EXPENSES</u>	<u>Administration</u>	<u>Program Services</u>	<u>Total</u>
Salaries	\$38,224	\$263,773	\$301,997
Employee benefits	10,847	16,794	27,641
Payroll taxes	2,973	20,512	23,485
Professional services	9,011	11,659	20,670
Supplies	25,853	196,589	222,442
Telephone	482	4,333	4,815
Occupancy	5,711	137,069	142,780
Travel	-	6,954	6,954
Depreciation	350	7,681	8,031
Insurance	1,789	2,563	4,352
Contract services	-	187,828	187,828
Dues and subscriptions	250	-	250
Professional development	-	1,413	1,413
Miscellaneous	<u>400</u>	<u>180</u>	<u>580</u>
<u>TOTAL EXPENSES</u>	<u>\$95,890</u>	<u>857,348</u>	<u>\$953,238</u>

See Notes to Financial Statements

ARTSTECH
Statement of Cash Flows
Year Ended June 30, 2007

Change in net assets	\$102,904
Adjustments to reconcile change in net assets to net increase in cash:	
Depreciation	8,031
(Increase) decrease in other assets	-
Deposit	(23,577)
(Increase) decrease in fixed assets	(1,151,553)
Increase (decrease) in liabilities	-
Accounts payable	(7,521)
Mortgage payable	<u>1,091,042</u>
Net increase in cash	19,326
CASH BALANCE, BEGINNING OF YEAR	<u>102,535</u>
CASH BALANCE, END OF YEAR	<u>\$121,861</u>

ARTSTECH

Notes to Financial Statements

1. Summary of significant accounting policies

Nature of Activities - The purpose of ArtsTech (formerly known as Pan-Educational Institute) is to identify and facilitate access to selective educational and training opportunities for schools, not-for-profit organizations, and governmental agencies that serve those who are at risk or have special needs. ArtsTech is supported primarily through fees for service and performance-based grants.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocations of expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes – No provision is included in these statements for income taxes as the Organization qualifies as a tax-exempt organization under Section 501(c) 3 of the Internal Revenue Code.

2. "Sentenced to the Arts" Program

ArtsTech administers the "Sentenced to the Arts" Project (STTAP) for Jackson County in Missouri and is paid an administrative fee for this service. ArtsTech selects the vendors and contractors, in collaboration with the STTAP Management Team, to provide the services for the program, writes the checks to pay for the services rendered from the program's checking account, and prepares reports outlining the program's accomplishments.

These disbursements are not reflected in the financial statements of ArtsTech since they were payments by the program from the program's funds.

STTAP disbursements were reviewed and audited to the same extent as ArtsTech transactions during my examination.

3. Internship Program - City of Kansas City Missouri

The City of Kansas City Missouri operated an internship program for which they contracted ArtsTech to administer the operation. ArtsTech was paid an administrative fee for this service and was reimbursed for all expenses related to the program. The income and expenses related to this program are included in the ArtsTech financial statements and are part of the audit of ArtsTech. The current year was the last year of this program.

4. Arts in Education Model Development and Dissemination (AEMDD) Grant

The United States Department of Education awarded ArtsTech a three-year grant to design, implement, and disseminate an integrated art model in the Kansas City, Kansas School District middle schools. The income and expenses related to this program are included in the ArtsTech financial statements and are part of the audit of ArtsTech. This is the third year of the three-year grant.

5. MyARTS

MyARTS is a Jackson County COMBAT-sponsored program that pays ArtsTech administrative and program fees. MyARTS provides entrepreneurial business opportunities for young adults in the art and technology fields. The ArtsTech income and expenses related to this program are included in the ArtsTech financial statements and are part of the audit of ArtsTech. This is the second year of a multi-year grant.

The income from the sale of MyARTS products and services made by the participants is not received by ArtsTech and is paid directly to Jackson County.

6. Fixed Assets

On February 21, 2007 ArtsTech purchased the two story building that they had been renting. The total cost was \$1,151,553.00. The cost was allocated as follows: Land \$264,857, Building \$886,696. It is being depreciated over 40 years using the straight line method.

7. Mortgage Payable

The building was financed with two mortgage notes. One note was for \$550,000 at 7.43% interest from Bank Midwest. Principal and interest payments are due monthly with a balloon payment due March 1, 2012. The second note was from the Local Initiatives Support Corporation for \$542,000 at 6.75% interest. Payments are interest only, due quarterly. The entire balance will be due September 1, 2008. There are provisions for extensions if not paid by the due date shown above.