

MINNESOTA CENTER FOR BOOK ARTS

FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT

APRIL 30, 2011

# MINNESOTA CENTER FOR BOOK ARTS

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Minnesota Center for Book Arts  
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of Minnesota Center for Book Arts (a nonprofit organization), as of April 30, 2011, and the related statement of activities, and cash flows for the year 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. The financial statements of Minnesota Center for Book Arts as of April 30, 2010 were audited by other auditors whose report dated September 17, 2010 expressed an unqualified opinion on those statements.

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 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 Minnesota Center for Book Arts as of April 30, 2011, 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.

St. Paul, Minnesota  
July 14, 2011

*Olsen Thielen + Co., Ltd*

MINNESOTA CENTER FOR BOOK ARTS

STATEMENT OF FINANCIAL POSITION  
APRIL 30, 2011 AND 2010

ASSETS		
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash	\$ 123,444	\$ 100,026
Accounts Receivable	10,887	16,234
Contributions Receivable	104,700	-
Inventories	41,738	29,184
Prepaid Expenses	8,899	6,600
Total Current Assets	<u>289,668</u>	<u>152,044</u>
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	138,951	138,951
Less Accumulated Depreciation	<u>(138,021)</u>	<u>(136,761)</u>
Net Property and Equipment	<u>930</u>	<u>2,190</u>
TOTAL ASSETS	<u>\$ 290,598</u>	<u>\$ 154,234</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line of Credit	\$ -	\$ 30,311
Accounts Payable	13,553	13,755
Deferred Revenue	30,880	19,966
Other Liabilities	735	555
Total Current Liabilities	<u>45,168</u>	<u>64,587</u>
NET ASSETS:		
Unrestricted:		
Undesignated	3,105	(18,478)
Board Designated for Cash Reserves	35,000	35,000
Board Designated for Operating Reserves	<u>15,000</u>	<u>-</u>
Total Unrestricted	53,105	16,522
Temporarily Restricted	127,325	8,125
Permanently Restricted	<u>65,000</u>	<u>65,000</u>
Total Net Assets	<u>245,430</u>	<u>89,647</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 290,598</u>	<u>\$ 154,234</u>

*The accompanying notes are an integral part of the financial statements.*

# MINNESOTA CENTER FOR BOOK ARTS

## STATEMENT OF ACTIVITIES YEARS ENDED APRIL 30, 2011 AND 2010

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUES:</b>				
Contributions:				
Individuals	\$ 63,866	\$	\$	\$ 63,866
Corporate	15,382			15,382
Foundation	186,000	110,500		296,500
Government	46,331	33,700		80,031
Program Service Fees	138,865			138,865
Tuition	97,045			97,045
Shop Sales	95,007			95,007
Special Events	30,047			30,047
Membership Fees	17,600			17,600
Facilities Rental	24,559			24,559
Miscellaneous	1,112			1,112
In-Kind Donations	1,500			1,500
Investment Income	72			72
Net Assets Released from Restrictions	25,000	(25,000)		-
Total Support and Revenues	742,386	119,200	-	861,586
<b>EXPENSES:</b>				
Program Services:				
Artists Programs	52,366			52,366
Education Programs	259,560			259,560
Exhibit, Shop and Studio Programs	229,162			229,162
Total Program Services	541,088	-	-	541,088
Support Services:				
Management and General	75,938			75,938
Fundraising	88,777			88,777
Total Support Services	164,715	-	-	164,715
Total Expenses	705,803	-	-	705,803
CHANGE IN NET ASSETS	36,583	119,200	-	155,783
NET ASSETS, Beginning of Year	16,522	8,125	65,000	89,647
NET ASSETS, End of Year	\$ 53,105	\$ 127,325	\$ 65,000	\$ 245,430

*The accompanying notes are an integral part of the financial statements.*

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 61,713	\$	\$	61,713
54,650	8,000		62,650
106,528			106,528
77,481			77,481
151,654			151,654
71,313			71,313
78,700			78,700
12,962			12,962
15,140			15,140
26,930			26,930
2,645			2,645
			-
82			82
95,750	(95,750)		-
<u>755,548</u>	<u>(87,750)</u>	<u>-</u>	<u>667,798</u>
92,108			92,108
239,725			239,725
172,725			172,725
<u>504,558</u>	<u>-</u>	<u>-</u>	<u>504,558</u>
88,006			88,006
78,318			78,318
<u>166,324</u>	<u>-</u>	<u>-</u>	<u>166,324</u>
<u>670,882</u>	<u>-</u>	<u>-</u>	<u>670,882</u>
84,666	(87,750)	-	(3,084)
(68,144)	95,875	65,000	92,731
<u>\$ 16,522</u>	<u>\$ 8,125</u>	<u>\$ 65,000</u>	<u>\$ 89,647</u>

## MINNESOTA CENTER FOR BOOK ARTS

### STATEMENT OF CASH FLOWS YEARS ENDED APRIL 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 155,783	\$ (3,084)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	1,260	3,630
Contributed Investments	-	(575)
Changes in Assets and Liabilities:		
Accounts Receivable	5,347	9,589
Contributions Receivable	(104,700)	85,250
Inventories	(12,554)	(3,757)
Prepaid Expenses	(2,299)	(1,326)
Accounts Payable	(202)	(12,104)
Deferred Revenue	10,914	7,425
Other Liabilities	180	(970)
Net Cash Provided By Operating Activities	53,729	84,078
CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfer from Long-Term Cash Reserves	-	13,000
Proceeds from Sale of Investments	-	820
Net Cash Provided By Investing Activities	-	13,820
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments Made on Line of Credit	(30,311)	(29,689)
Net Cash Used In Financing Activities	(30,311)	(29,689)
NET INCREASE IN CASH	23,418	68,209
CASH at Beginning of Year	100,026	31,817
CASH at End of Year	\$ 123,444	\$ 100,026

*The accompanying notes are an integral part of the financial statements.*

# MINNESOTA CENTER FOR BOOK ARTS

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

Minnesota Center for Book Arts (the Organization) is incorporated as a Minnesota nonprofit organization dedicated to advancing the book as a vital contemporary art form, preserving the traditional crafts of bookmaking, inspiring diverse artists and learners, and engaging audiences in educational, creative and interpretive experiences. The Organization maintains an exhibition gallery, studio spaces and a retail shop in Minneapolis, Minnesota, and is primarily supported through contributions, program service fees, tuition and retail sales.

#### Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Unrestricted Net Assets - Resources over which the Board of Directors has discretionary control.

Temporarily Restricted - Reflects resources received with donor stipulations that limit the use of the donated assets. 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.

Permanently Restricted - Consist of resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted or temporarily restricted purposes.

#### Accounting Estimates

The presentation 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.

#### Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through July 14, 2011, the date the financial statements were available to be issued.

#### Receivables

Receivables are reported at the amount the Organization expects to collect on balances outstanding at year end. The Organization monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Organization has concluded that losses on balances outstanding at year end will be immaterial.



# MINNESOTA CENTER FOR BOOK ARTS

## NOTES TO FINANCIAL STATEMENTS

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

#### Inventories

Inventories consist of books, gift items, and artists works and are stated at the lower of cost or market. Cost is determined using the first-in, first-out method (FIFO).

#### Property and Depreciation

Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gains or losses thereon are reflected in operations. Donated property and equipment are carried at the approximate fair value at the date of donation.

Depreciation is computed using the straight-line method at rates based on the estimated service lives of the various assets as follows:

Furniture and Equipment	5-15 Years
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#### Revenue Recognition and Deferred Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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.

Revenue from program services fees and tuition is recognized when the services are provided. Amounts collected in advance of performing the services are recorded as deferred revenue.

#### Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, the statements do not include a provision for income taxes.

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no income tax uncertainties.

The Organization's federal and state tax returns are open to examination for tax years 2008 through 2010.

# MINNESOTA CENTER FOR BOOK ARTS

## NOTES TO FINANCIAL STATEMENTS

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

#### Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. General and administrative expenses that are common to several functions are allocated based on the proportion of each program's direct and personnel expenses to the total program direct and personnel expenses.

### NOTE 2 - LINE OF CREDIT

The Organization has a \$60,000 revolving line of credit agreement with Associated Bank at April 30, 2011 and 2010 with a maturity date of April 26, 2012. The line is secured by all the assets of the Organization, with interest charged on borrowings at 1% over the prime rate (3.25% at April 30, 2011), with a floor of 5%. Borrowings under the agreement are due on demand. There was no balance outstanding at April 30, 2011 and the balance outstanding at April 30, 2010 was \$30,311.

### NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at April 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Audience Expansion Grant	\$ 8,125	\$ 8,125
Book Arts Mentorship and Fellowship Program	23,000	—
Arts Access Grant	14,500	—
General Operating Support for Future Periods	81,700	—
	<u>\$ 127,325</u>	<u>\$ 8,125</u>

### NOTE 4 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted by the donor for use as cash reserve funds. As such, the funds are to be administered separately from the Organization's operating funds and held in an interest bearing account. The cash reserve fund is to be available for short term cash requirements and is to be replenished at December 31 of each year. The cash reserve funding requirements for December 31, 2010 were met. The balance held in the interest bearing account at April 30, 2011 and 2010 was \$35,112 and \$66, respectively.

## MINNESOTA CENTER FOR BOOK ARTS

### NOTES TO FINANCIAL STATEMENTS

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#### **NOTE 5 - RELATED PARTY**

The Organization negotiated an annual lease with Open Book (lessor) for facilities in a building which houses two other organizations focused on the literary arts, and three commercial tenants. The lessor is a related party because all three literary organizations are represented on the lessor's Board of Directors. Each tenant pays, as rent, its share of all operating costs and reserve assessments as determined by the Board of Directors of the lessor. Rent expense paid to the related party was \$120,294 and \$120,118 at April 30, 2011 and 2010.

#### **NOTE 6 - RECLASSIFICATIONS**

Certain amounts in the 2010 financial statements have been reclassified to conform with the 2011 presentation. In 2010, permanently restricted net assets included contributions received from individual donors of \$13,000. Based upon further review of the contribution support and inquiries made of the Organization, these funds are more accurately reflected as unrestricted net assets designated by the Board for use as additional cash reserve funds.

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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Board of Directors  
Minnesota Center for Book Arts  
Minneapolis, Minnesota

Our report on our audit of the basic financial statements of Minnesota Center for Book Arts, as of April 30, 2011, appears on page 1. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplementary information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 2011 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The summarized comparative information has been derived from the Organization's April 30, 2010 financial statements that were audited by other auditors whose report dated September 17, 2010, expressed an unqualified opinion on those statements.

St. Paul, Minnesota  
July 14, 2011

*Olson Thielson + Co., Ltd*

MINNESOTA CENTER FOR BOOK ARTS

SCHEDULE OF FUNCTIONAL EXPENSES  
YEARS ENDED APRIL 30, 2011 AND 2010

	2011										2010	
	Program Services					Support Services					Total Expenses	
	Artists	Education	Exhibit, Shop and Studio	Total Program	Management and General	Fundraising	Total Support	2011 Total	2010 Total			
Salaries	\$ 22,409	\$ 121,308	\$ 100,492	\$ 244,209	\$ 16,048	\$ 29,207	\$ 45,255	\$ 289,464	\$ 286,583			
Payroll Taxes	1,924	10,187	8,430	20,541	2,026	2,438	4,464	25,005	23,122			
Employee Benefits	1,794	9,712	8,046	19,552	1,285	2,338	3,623	23,175	22,268			
Total Personnel Costs	26,127	141,207	116,968	284,302	19,359	33,983	53,342	337,644	331,973			
Rent	9,313	50,413	41,762	101,488	6,669	12,138	18,807	120,295	120,118			
Professional Fees	13,211	31,425	213	44,849	200	19,911	20,111	64,960	46,811			
Cost of Goods Sold	-	-	41,906	41,906	-	-	-	41,906	35,945			
Printing and Supplies	1,549	23,007	9,029	33,585	2,026	84	2,110	35,695	31,841			
Contract Services	-	-	-	-	25,494	-	25,494	25,494	32,489			
Interest and Bank Expense	-	6,338	6,338	12,676	3,551	174	3,725	16,401	15,722			
Repairs and Maintenance	124	352	3,766	4,242	11,122	-	11,122	15,364	1,895			
Postage and Copying	562	412	5,451	6,425	2,443	5,972	8,415	14,840	11,906			
Special Events	100	-	-	100	-	13,330	13,330	13,430	12,396			
Insurance	409	2,215	1,835	4,459	293	533	826	5,285	5,422			
Telephone	256	1,387	1,149	2,792	184	334	518	3,310	4,812			
Miscellaneous	-	25	279	304	1,923	525	2,448	2,752	9,209			
Books, Subscriptions and Website	500	-	29	529	2,162	-	2,162	2,691	-			
Travel	7	2,251	-	2,258	9	4	13	2,271	4,660			
Advertising	-	-	-	-	125	1,662	1,787	1,787	994			
Depreciation	98	528	437	1,063	70	127	197	1,260	3,630			
Conferences, Conventions and Meetings	110	-	-	110	308	-	308	418	1,057			
Bad Debt Expense	-	-	-	-	-	-	-	-	2			
Total Expenses	\$ 52,366	\$ 259,560	\$ 229,162	\$ 541,088	\$ 75,938	\$ 88,777	\$ 164,715	\$ 705,803	\$ 670,882			