

2010
AUDIT
016389

Emerson Umbrella, Inc.
Financial Statements
and supplementary information
Years ended June 30, 2010 and 2009
with report of
Certified Public Accountant

Tisdale CPA
Certified Public Accountant
75 Junction Square
Concord, Massachusetts 01742
(978) 369-5585

2010
Audit
016389

15
10
07
3
1
2
4
7
4
0
1
1

Independent Auditor's Report

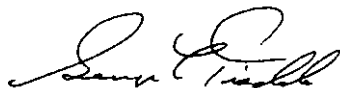
To the Board of Directors of
Emerson Umbrella, Inc.

I have audited the accompanying statement of financial position of Emerson Umbrella, Inc. as of June 30, 2010 and 2009, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Emerson Umbrella, Inc. management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audits in accordance with auditing standards generally accepted in the United States of America. 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 audits 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 Emerson Umbrella, Inc. as of June 30, 2010 and 2009, 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.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for analysis purposes only and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion is fairly stated in all respects material to the financial statements taken as a whole.



George L. Tisdale, CPA
September 30, 2010

EMERSON UMBRELLA, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents - unrestricted	\$ 253,461	\$ 480,257
Cash and cash equivalents - temporarily restricted	45,985	51,527
Accounts receivable	9,437	14,947
Deposits	-	-
Total current assets	308,883	546,731
Equipment and leasehold improvements		
Program equipment and kilns	23,705	23,290
Office and maintenance equipment	124,152	81,306
Leasehold improvements	1,356,661	935,805
	1,504,518	1,040,401
Less accumulated depreciation	(481,494)	(478,220)
Net equipment and leasehold improvements	1,023,024	562,181
	<u>\$ 1,331,907</u>	<u>\$ 1,108,912</u>
<u>LIABILITIES AND NET ASSETS</u>		
	<u>2010</u>	<u>2009</u>
Current liabilities:		
Lines of credit	\$ -	-
Loans payable	15,000	15,000
Accounts payable	33,176	6,210
Unearned rent, tuition and fees	68,504	47,584
Security and key deposits	16,968	16,408
Total current liabilities	133,648	85,202
Net assets:		
Unrestricted net assets	1,106,792	957,968
Temporarily restricted	91,467	65,742
Total net assets	1,198,259	1,023,710
	<u>\$ 1,331,907</u>	<u>\$ 1,108,912</u>

The accompanying notes are an integral
part of these financial statements

EMERSON UMBRELLA, INC.
STATEMENT OF ACTIVITIES
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Changes in unrestricted net assets:		
Revenues:		
Operating revenue	\$ 490,955	\$ 526,075
Support revenue	358,892	613,095
Assets released from restrictions	<u>117,928</u>	<u>188,554</u>
Total revenue	967,775	1,327,724
Expenses:		
Program expenses	626,978	638,214
Management expenses	65,405	66,201
Fundraising expenses	<u>129,251</u>	<u>134,019</u>
Total expenses	<u>821,634</u>	<u>838,434</u>
Income from operations	146,141	489,290
Other income and expenses:		
Interest and dividend income	2,683	5,774
Loss on disposition of leasehold improvements	<u>-</u>	<u>-</u>
Total other income (expense)	<u>2,683</u>	<u>5,774</u>
Increase in unrestricted net assets	<u><u>\$ 148,824</u></u>	<u><u>\$ 495,064</u></u>

Depreciation charged to expense amounted to \$76,824 in 2010 (\$49,924 in 2009).

Fundraising expenses reflect costs associated with a major capital campaign initiated in August 2007.

EMERSON UMBRELLA, INC.
STATEMENT OF CHANGES IN NET ASSETS
Years ended June 30, 2010 and 2009

	Temporarily Restricted	Unrestricted	Total
Balance June 30, 2008	\$ 83,999	\$ 462,904	\$ 546,903
Increase in unrestricted net assets		495,064	495,064
Musketaquid revenues			
Operating revenue	5,175		5,175
Support revenue	40,122		40,122
Net Musketaquid assets released from restrictions	(56,240)		(56,240)
Grant funds received	125,000		125,000
Grant funds released from temporary restrictions	(132,314)		(132,314)
Balance June 30, 2009	<u>65,742</u>	<u>957,968</u>	<u>1,023,710</u>
Increase in unrestricted net assets		148,824	148,824
Musketaquid revenues			
Operating revenue	4,538		4,538
Support revenue	51,615		51,615
Net Musketaquid assets released from restrictions	(60,219)		(60,219)
Grant funds received	87,500		87,500
Grant funds released from temporary restrictions	(57,709)		(57,709)
Balance June 30, 2010	<u>\$ 91,467</u>	<u>\$ 1,106,792</u>	<u>\$ 1,198,259</u>
Temporarily restricted fund balances:			
Musketaquid programs	\$ 23,146		
Unexpended grant funds	68,321		
	<u>\$ 91,467</u>		

EMERSON UMBRELLA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Years ended June 30, 2010 and 2009

	<u>Arts Education</u>	<u>Musicianship Arts and Environment</u>	<u>Community and Arts Events</u>	<u>Artist Studios</u>	<u>Programs Total</u>	<u>Management</u>	<u>Fundraising</u>	<u>2010</u>	<u>2009</u>
Revenue									
Operating revenue									
Rents	\$ -	\$ -	\$ 38,655	\$ 213,641	\$ 252,296	\$ -	\$ -	\$ 252,296	\$ 266,164
Tuition and fees	179,554	2,790	5,240	-	187,584	703	19,475	207,762	238,078
Other	535	1,748	33,152	-	35,435	-	-	35,435	27,008
	<u>180,089</u>	<u>4,538</u>	<u>77,047</u>	<u>213,641</u>	<u>475,315</u>	<u>703</u>	<u>19,475</u>	<u>495,493</u>	<u>531,250</u>
Support									
Contributions	\$ 125	33,865	\$ 3,931	13,441	51,362	-	\$ 83,124	134,486	589,873
Grants	-	17,750	3,500	12,300	33,550	-	329,971	363,521	188,344
	<u>125</u>	<u>51,615</u>	<u>7,431</u>	<u>25,741</u>	<u>84,912</u>	<u>-</u>	<u>413,095</u>	<u>498,007</u>	<u>778,217</u>
Investment income									
	-	-	-	-	-	2,684	-	2,684	5,774
Total revenue	<u>180,214</u>	<u>56,153</u>	<u>84,478</u>	<u>239,382</u>	<u>560,227</u>	<u>3,387</u>	<u>432,570</u>	<u>996,184</u>	<u>1,315,241</u>
Expenses									
Personnel expenses:									
Salaries and wages	\$ 74,952	\$ 24,852	\$ 59,077	\$ 41,793	\$ 200,584	\$ 14,900	\$ 92,445	\$ 307,929	\$ 341,556
Payroll taxes	6,507	2,157	5,129	3,620	17,413	1,293	8,025	26,731	31,153
Employee benefits	7,152	2,371	5,637	3,980	19,140	1,422	8,821	29,383	35,344
	<u>88,611</u>	<u>29,380</u>	<u>69,843</u>	<u>49,393</u>	<u>237,137</u>	<u>17,615</u>	<u>109,291</u>	<u>364,043</u>	<u>408,053</u>
Building and occupancy expenses:									
Power, heat and water	8,354	835	16,979	37,058	63,226	-	-	63,226	61,001
Depreciation - building and equipment (a)	10,151	1,015	20,630	45,028	76,824	-	-	76,824	49,924
Maintenance, repair and custodial service	4,107	411	8,346	18,216	31,080	-	-	31,080	32,433
Liability and property insurance	1,061	106	2,162	4,719	8,051	-	-	8,051	8,496
	<u>23,676</u>	<u>2,367</u>	<u>48,117</u>	<u>105,021</u>	<u>179,181</u>	<u>-</u>	<u>-</u>	<u>179,181</u>	<u>151,854</u>
Other expenses:									
Bad debts	-	-	-	-	-	1,918	-	1,918	2,985
Bank and credit charges	-	-	-	-	-	5,946	-	5,946	4,940
Contract labor	55,191	20,224	40,162	-	115,577	3,360	7,035	125,972	121,572
Dues and subscriptions	-	50	3,490	-	3,540	422	275	4,237	5,612
Director's insurance	-	-	-	-	-	981	-	981	1,193
Interest expense	-	-	-	-	-	-	-	-	-
Office expense	7,741	37	7,059	-	14,837	10,848	518	26,203	25,901
Postage and delivery	3,275	584	7,450	-	11,309	1,368	1,488	14,165	20,337
Printing	7,387	5,030	7,423	-	19,840	9,306	8,895	38,041	36,616
Professional fees	-	-	-	-	-	8,500	-	8,500	7,200
Promotion	1,433	247	12,140	-	13,820	1,649	764	15,633	13,044
Supplies	15,029	2,300	14,408	-	31,737	4,692	985	36,814	39,127
Other	-	-	-	-	-	-	-	-	-
	<u>90,056</u>	<u>28,472</u>	<u>92,132</u>	<u>-</u>	<u>210,660</u>	<u>47,790</u>	<u>19,960</u>	<u>278,410</u>	<u>278,527</u>
Total expenses	<u>202,343</u>	<u>60,219</u>	<u>210,092</u>	<u>154,324</u>	<u>626,978</u>	<u>65,405</u>	<u>129,251</u>	<u>821,634</u>	<u>838,434</u>
Excess of revenue over expense	<u>\$ (22,129)</u>	<u>\$ (4,066)</u>	<u>\$ (125,614)</u>	<u>\$ 85,058</u>	<u>\$ (66,751)</u>	<u>\$ (62,018)</u>	<u>\$ 303,319</u>	<u>\$ 174,550</u>	<u>\$ 476,807</u>

(a) Depreciation is the allocation of a past cost over the expected useful life of the asset. It does not represent a current expenditure of cash.

EMERSON UMBRELLA, INC.
STATEMENT OF CASH FLOWS
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 174,549	\$ 476,807
Adjustments to reconcile change in net assets to net cash, provided by operating activities:		
Depreciation and amortization	76,824	49,924
Forgiveness of debt contribution income	-	(10,000)
In-kind contribution received	(10,500)	-
Decrease (increase) in:		
Accounts receivable	5,510	(3,373)
Deposits	-	16,360
Increase (decrease) in:		
Accounts payable	26,966	(2,859)
Unearned rent, tuition and fees	20,920	(19,499)
Security and key deposits	<u>560</u>	<u>1,026</u>
Net cash flow provided (used) by operating activities	<u>294,829</u>	<u>508,386</u>
 Cash flows from investing activities:		
Purchase of property and equipment	(46,623)	(19,057)
Purchase of leasehold improvements	(480,544)	(335,365)
Proceeds form sale of assets	<u>-</u>	<u>500</u>
Net cash used by investing activities	<u>(527,167)</u>	<u>(353,922)</u>
 Cash flows from financing activities:		
New borrowings - Loans payable	-	-
Repayments of lines of credit	<u>-</u>	<u>(5,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(5,000)</u>
 Net increase (decrease) in cash	(232,338)	149,464
 Cash balance beginning of year	<u>531,784</u>	<u>382,320</u>
Cash balance end of year	<u>\$ 299,446</u>	<u>\$ 531,784</u>

Interest paid on debt amounted to \$0 in 2010 (\$0 in 2009).

As of June 30, 2009, and in lieu of repayments, debt was forgiven as contributions to the Umbrella in the amount of \$10,000.

EMERSON UMBRELLA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1. Description of business

Emerson Umbrella, Inc. (the Umbrella) is a Massachusetts charitable corporation dedicated to supporting community artists and promoting art education. The Umbrella rents studio space to over 50 artists at facilities in Concord. The Umbrella also offers general and environmental art programs and classes to the community. *Environmentally focused programs and classes are administered under the Musketaquid program.*

2. Significant accounting policies

Preparation of financial statements in accordance with generally accepted accounting principles often requires the use of estimates by management; actual results may differ from these estimates. Among the more significant principles employed are the following:

Donations, bequests, other receipts and the related assets are recognized as earned while expenses and the related liabilities are recognized when incurred on the accrual basis.

Income from class tuitions and fees and sales of event tickets are recognized as deferred income in the statement of financial position. When the class is given or the event occurs the income and related expenses are recorded in the statement of activities.

The Umbrella employs the allowance method to account for bad debts. At June 30, 2010 and 2009, all receivables were determined to be collectable. Interest is not charged on overdue accounts receivable. Balances are considered past due after 30 days.

Property and equipment are carried at cost or estimated fair value on the date of donation and depreciated over their estimated useful lives by the straight line method, based on estimated lives as follows:

Equipment	5 years
Leasehold improvements	10 to 20 years

Marketable securities and other non-cash assets donated to the Umbrella are recognized as income at their fair market value at date of gift. Such securities and other investments are presented on the statement of financial position at fair value on the date of the financial statements. For purposes of the statement of cash flows the Umbrella considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

EMERSON UMBRELLA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

The Umbrella receives assistance from various individuals as volunteers. No provision has been made in the financial statements to assign a value to these services or to record such a value as income and related operating expenses. Volunteer services received during 2010 and 2009 included the services of the Board of Directors, officers, various assistants and workers at fund raising events.

No provision is made for income taxes because Emerson Umbrella, Inc. is a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code.

In order to ensure observance of limitations and restrictions placed on the use of funds by the Umbrella, the accounts of the Umbrella are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified.

The assets, liabilities and fund balances of the Umbrella are reported in three net asset groups as follows:

Unrestricted net assets, which represent assets available for support of the Umbrella's operations.

Temporarily restricted net assets, which include contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Umbrella pursuant to those stipulations. It is the Umbrella's policy to record temporarily restricted net assets whose terms are satisfied during the year received as unrestricted net assets.

Permanently restricted net assets, which include contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or removed by the actions of the Umbrella.

At June 30, 2010, the Umbrella did not have any permanently restricted net assets.

3. Building lease

The Umbrella leases the former Emerson School Building at 40 Stow Street from the Town of Concord for an annual rental charge of \$1.00. The lease term is from January 1, 2004 through December 31, 2014. The Umbrella is responsible for all maintenance, utilities and capital improvements.

EMERSON UMBRELLA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

4. Retirement Plan

The Umbrella has a defined contribution retirement plan available to eligible employees. Under the plan the Umbrella has the option of contributing a percentage of annual salary for participating employees. The percentage is determined annually by the board of directors. No contribution was made for 2010 or 2009.

5. Commitments and Contingencies

Grants require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Although that is a possibility, the Board deems the contingency remote, since by accepting the grants and their terms, it has accommodated the objectives of the organization to the provisions of the grant.

Financial instruments that potentially subject the Umbrella to credit risk consist principally of cash deposits at banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to a statutory limit. The FDIC limit is \$250,000 through 2013. At June 30, 2010 the Umbrella had approximately \$21,989 in excess of the FDIC insured limit. Massachusetts Deposit Insurance Fund coverage carried by the Association's primary bank, a Massachusetts Savings Bank, covers all bank deposits in excess of the FDIC limit.

6. Lines of Credit

At June 30, 2010 the Umbrella had available lines of credit with a local bank in the amount of \$50,000. No amounts were outstanding on these lines of credit at year end.

7. Loans Payable

During the year ended June 30, 2006, the Umbrella obtained loans from individual members and former members of the Board of Directors. As of June 30, 2010 and 2009 total outstanding debt was \$15,000 and \$15,000 respectively. The loans carry no interest and are not secured.

8. Related party Transactions

During the years ended June 30, 2010 and 2009, some members of the Board of Directors rented studio space from the Umbrella in the amounts of \$13,678 and \$18,237 respectively