

MINNESOTA FRINGE FESTIVAL
(A Non-Profit Corporation)

AUDITED FINANCIAL STATEMENTS

Year Ended September 30, 2010 with
Comparative Totals for 2009

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Minnesota Fringe Festival
Minneapolis, Minnesota

We have audited the statement of financial position of Minnesota Fringe Festival as of September 30, 2010, and the related statements of activities and changes in net assets, functional expenses 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 prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated December 28, 2009, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 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 Fringe Festival as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

Minneapolis, Minnesota
January 5, 20110

**MINNESOTA FRINGE FESTIVAL
STATEMENTS OF FINANCIAL POSITION**

September 30, 2010 and 2009

	<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS			
Cash		\$ 119,245	\$ 54,032
Accounts receivable		1,608	1,001
Grants receivable		67,390	36,000
Prepaid expenses		<u>100</u>	<u>100</u>
TOTAL CURRENT ASSETS		<u>188,343</u>	<u>91,133</u>
 PROPERTY AND EQUIPMENT			
Furniture and equipment		23,153	18,355
Less accumulated depreciation		<u>(18,539)</u>	<u>(16,340)</u>
NET PROPERTY AND EQUIPMENT		<u>4,614</u>	<u>2,015</u>
 TOTAL ASSETS		 <u>\$ 192,957</u>	 <u>\$ 93,148</u>
	<u>LIABILITIES</u>		
CURRENT LIABILITIES			
Accounts payable		\$ <u>259</u>	\$ _____
TOTAL CURRENT LIABILITIES		<u>259</u>	_____
	<u>NET ASSETS</u>		
UNRESTRICTED NET ASSETS			
Undesignated		122,211	57,148
TEMPORARILY RESTRICTED NET ASSETS			
Time and purpose restricted		<u>70,487</u>	<u>36,000</u>
TOTAL NET ASSETS		<u>192,698</u>	<u>93,148</u>
TOTAL LIABILITIES AND NET ASSETS		 <u>\$ 192,957</u>	 <u>\$ 93,148</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

MINNESOTA FRINGE FESTIVAL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2010 with Comparative Totals for 2009

	Unrestricted	Restricted	2010	2009
<u>PUBLIC SUPPORT AND REVENUE</u>				
PUBLIC SUPPORT				
Grants and contributions	\$ 45,987	\$ 57,400	\$ 103,387	\$ 136,831
Corporate sponsorships	30,850		30,850	26,900
Government grants		98,271	98,271	20,227
In-kind contributions	19,200		19,200	31,880
Special events (net)	<u>11,528</u>		<u>11,528</u>	<u>8,727</u>
TOTAL PUBLIC SUPPORT	<u>107,565</u>	<u>155,671</u>	<u>263,236</u>	<u>224,565</u>
 REVENUE				
Box office revenue	371,085		371,085	325,463
Merchandise and ad sales	12,176		12,176	11,806
Admission button sales	62,476		62,476	57,517
Application fees	77,982		77,982	72,150
Investment income	5		5	500
Other revenue	<u>87</u>		<u>87</u>	
TOTAL REVENUE	<u>523,811</u>		<u>523,811</u>	<u>467,436</u>
 NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of purpose and time restrictions	<u>121,184</u>	<u>(121,184)</u>		
TOTAL PUBLIC SUPPORT AND REVENUE	<u>752,560</u>	<u>34,487</u>	<u>787,047</u>	<u>692,001</u>
<u>EXPENSES</u>				
PROGRAM SERVICES				
Annual festival	<u>567,403</u>		<u>567,403</u>	<u>536,388</u>
 SUPPORTING ACTIVITIES				
Management and general	87,305		87,305	87,585
Fundraising	<u>32,789</u>		<u>32,789</u>	<u>37,774</u>
TOTAL SUPPORTING ACTIVITIES	<u>120,094</u>		<u>120,094</u>	<u>125,359</u>
TOTAL EXPENSES	<u>687,497</u>		<u>687,497</u>	<u>661,747</u>
 INCREASE (DECREASE) IN NET ASSETS	 65,063	 34,487	 99,550	 30,254
 NET ASSETS, BEGINNING OF YEAR	 <u>57,148</u>	 <u>36,000</u>	 <u>93,148</u>	 <u>62,894</u>
 NET ASSETS, END OF YEAR	 <u>\$ 122,211</u>	 <u>\$ 70,487</u>	 <u>\$ 192,698</u>	 <u>\$ 93,148</u>

The Accompanying Notes are an Integral
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MINNESOTA FRINGE FESTIVAL
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2010 with Comparative Totals for 2009

	Program Services	Management and General	Fundraising	Total Supporting Activities	2010	2009
Salaries	\$ 99,858	\$ 50,016	\$ 23,793	\$ 73,809	\$ 173,667	\$ 172,323
Taxes and benefits	<u>18,230</u>	<u>9,131</u>	<u>4,344</u>	<u>13,475</u>	<u>31,705</u>	<u>30,520</u>
Total salaries and related expenses	118,088	59,147	28,137	87,284	205,372	202,843
Artist payouts	249,116				249,116	215,576
Ticket processing fees	3,722				3,722	3,163
Production contracts	80,028				80,028	75,474
Professional fees		7,590		7,590	7,590	12,105
Telephone	9,088	1,069	535	1,604	10,692	10,386
Postage and shipping	1,038	183	1,252	1,435	2,473	5,357
Occupancy	8,885	1,045	523	1,568	10,453	8,374
Venue rent	45,450				45,450	44,039
Equipment rental and maintenance	4,851	136	68	204	5,055	6,672
Printing and publications	9,458	723	1,368	2,091	11,549	35,580
Supplies	2,223	392	183	575	2,798	3,048
Travel	2,547	206	103	309	2,856	3,993
Interest						80
Advertising and promotion	20,391		449	449	20,840	7,490
Insurance		10,412		10,412	10,412	7,526
Dues and memberships	4,121	290	145	435	4,556	2,627
Conferences and conventions	905	747	26	773	1,678	3,250
Miscellaneous	<u>7,492</u>	<u>3,167</u>	<u> </u>	<u>3,167</u>	<u>10,659</u>	<u>11,877</u>
Total expenses before depreciation	567,403	85,107	32,789	117,896	685,299	659,460
Depreciation	<u> </u>	<u>2,198</u>	<u> </u>	<u>2,198</u>	<u>2,198</u>	<u>2,287</u>
Total expenses	<u>\$ 567,403</u>	<u>\$ 87,305</u>	<u>\$ 32,789</u>	<u>\$ 120,094</u>	<u>\$ 687,497</u>	<u>\$ 661,747</u>

The Accompanying Notes are an Integral
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MINNESOTA FRINGE FESTIVAL
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 99,550	\$ 30,254
Adjustments to reconcile increase (decrease) in net assets to		
Net cash provided by (used in) operating activities:		
Depreciation expense	2,198	2,287
Changes in current assets and liabilities:		
Increase in accounts receivable	(606)	(53)
Increase in grants receivable	(31,390)	(26,702)
Increase in accounts payable	<u>259</u>	<u> </u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 70,011	 5,786
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(4,798)</u>	<u> </u>
 NET INCREASE (DECREASE) IN CASH	 65,213	 5,786
 CASH, BEGINNING OF YEAR	 <u>54,032</u>	 <u>48,246</u>
 CASH, END OF YEAR	 <u>\$ 119,245</u>	 <u>\$ 54,032</u>
 SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$</u>	<u>\$ 80</u>

The Accompanying Notes are an Integral
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MINNESOTA FRINGE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

1. **Summary of significant accounting policies**

Organization

Minnesota Fringe Festival (the Organization) was incorporated as a Minnesota nonprofit Organization in 1992. The Organization's mission is to connect adventurous artists with adventurous audiences by creating open, supportive forums for free and diverse artistic expression.

Description of programs

The Organization's primary activity is an annual festival. The Fringe Festival is an eleven-day indoor performance festival held every summer in Minneapolis, Minnesota. In 2010, the Fringe Festival sold 50,222 (46,216 in 2009) tickets to 876 (843 in 2009) performances of 169 (162 in 2009) shows. In addition, the Organization augments this work with a year-round series of educational workshops for artists and outreach events for audiences. The Organization is a proud member of the United States Association of Fringe Festivals.

Income tax status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is a nonprivate foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

On January 1, 2009, the Organization adopted new accounting guidance on accounting for uncertainty in income taxes. The Organization reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment the Organization determines whether it is more likely than not that the position would be sustained upon examination by tax authorities. The Organization's assessment has not identified any significant positions that it believes would not be sustained under examination.

Basis of accounting

The Organization uses the accrual basis of accounting whereby revenue and support are recognized when earned and expenses are recognized when incurred.

Financial statement presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted - Resources over which the Board of Directors has discretionary control.
- Temporarily Restricted with respect to time or purpose - Resources subject to a donor-imposed restriction which will be satisfied by actions of the Organization or the passage of time.
- Permanently Restricted - Resources subject to a donor-imposed restriction that they be maintained permanently. At this time the Organization has no such permanently restricted resources.

**MINNESOTA FRINGE FESTIVAL
NOTES TO FINANCIAL STATEMENTS**

September 30, 2010 and 2009

1. **Summary of significant accounting policies (continued)**

Cash and cash equivalents

For the purposes of the statements of cash flows, the Organization considers all cash and other highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization places its cash and temporary cash investments with high credit quality financial institutions. At times, cash and investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits which are \$250,000 per financial institution with no limit on non-interest bearing checking accounts.

Grants and contributions

Contributions, including unconditional promises to give receivable, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Corporate sponsorships are solicited to fund the Organization overall and are recognized as revenue at the time of the commitment.

Revenue

Box office revenue is recognized on the day it is received. Merchandise sales are recognized at the time of sale and ad sales are recognized as revenue at the time the advertising occurs.

Receivables

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Grants receivable represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible grants receivable.

Grants and accounts receivable are stated at net realizable value. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

At September 30, 2010 and 2009, an allowance has not been provided for since management of the Organization expects all grants and accounts receivable to be collectable.

MINNESOTA FRINGE FESTIVAL
NOTES TO FINANCIAL STATEMENTS

September 30, 2010 and 2009

1. **Summary of significant accounting policies (continued)**

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.

Property and equipment and depreciation

Property and equipment are recorded at cost or in the case of contributed property at the fair market value at the date of contribution. Depreciation is computed using the straight-line method over estimated useful lives. For the years ended September 30, 2010 and 2009, depreciation expense amounted to \$2,198 and \$2,287, respectively. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred.

Functional allocation of expenses

The costs of providing programs and services have been summarized on a functional basis. Accordingly, certain costs have been allocated between the programs and the supporting services benefited.

Summarized information

The financial statements include certain prior year summarized comparative information in total but neither by net asset class nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2009, from which summarized information was derived.

Subsequent events policy

Subsequent events have been evaluated through January 5, 2011 which is the date the financial statements were available to be issued.

Effect of economic conditions on contributions

The Organization depends on contributions and grants for a significant portion of its revenue. The ability of the Organization's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. While the Organization's board of directors and management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.

MINNESOTA FRINGE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

2. **Notes payable**

The Organization has a bank line of credit available under which up to \$20,000 may be borrowed. There were no borrowings on this line at September 30, 2010 and 2009. The line of credit has a variable interest rate calculated at the prime rate as published in the Wall Street Journal plus 1%. The interest rate at year end was 4.25%. The line of credit expires November 27, 2011 and is secured by the Organization's assets.

3. **Leases**

The Organization leases office space with monthly payments of \$975, and expiring in 2012. Total lease expense under this lease for the years ended September 30, 2010 and 2009 was \$9,553 and \$8,374, respectively. Future minimum lease payments under current leases are as follows:

Year Ended September 30,

2011	\$	11,800
2012		<u>7,900</u>
	\$	<u>19,700</u>

4. **Advertising**

The Organization expenses advertising costs when the advertisement occurs. Total advertising expense amounted to \$20,840 and \$7,490 for the years ended September 30, 2010 and 2009, respectively.

5. **Temporarily restricted net assets**

Temporarily restricted net assets at September 30, 2010 and 2009 are available for the following purposes:

	2010	2009
Time restricted:		
Arts Midwest Foundation	\$ 10,200	\$ 6,000
COMPAS		6,000
Minnesota State Arts Board	30,287	
McKnight Foundation	<u>30,000</u>	<u>30,000</u>
	<u>\$ 70,487</u>	<u>\$ 36,000</u>

MINNESOTA FRINGE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

6. **Net assets released from restriction**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors for programs for the years ended September 30, 2010 and 2009 as follows:

	2010	2009
Time Restricted:		
Arts Midwest Foundation	\$ 10,200	\$
COMPAS	13,000	8,774
Minnesota State Arts Board	67,984	
McKnight Foundation	30,000	
	\$ 121,184	\$ 8,774

MINNESOTA FRINGE FESTIVAL
NOTES TO FINANCIAL STATEMENTS
September 30, 2010 and 2009

7. **Donated services, materials and equipment**

The Organization receives significant amounts of donated services from a substantial number of unpaid volunteers who assist in the program services of the Organization. All amounts have not been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort have not been satisfied. Donated services, which enhance nonfinancial assets, materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

The Organization received the following donated services, materials and equipment for the annual festival during the years ended September 30, 2010 and 2009, respectively:

	2010	2009
Advertising - MPR	\$ 7,200	\$ 6,600
Telephone - VISI.com	7,000	7,200
Printing - Metro Magazine	3,600	
Printing - Minnesota Monthly		16,330
Printing - Cedar Business Printing	1,400	
Staff events		1,750
	\$ 19,200	\$ 31,880