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Independent Accountant's Review Report

We have reviewed the accompanying financial statements of the Citizens for the Arts in Pennsylvania (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management’s financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant’s Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant’s Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.
Other Matter

The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

DRAFT

Certified Public Accountants

Bedford Pennsylvania
February __, 2017
CITIZENS FOR THE ARTS IN PENNSYLVANIA
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

ASSETS

Current Assets:
- Cash and Cash Equivalents $58,733
- Accounts Receivable 134
- Prepaid Expenses 11,764
Total Current Assets $70,631

Fixed Assets: At Cost
- Furniture and Equipment $9,167
- Less: Accumulated Depreciation (8,379)
Total Fixed Assets $788

Other Assets:
- Security Deposit 207
Total Other Assets 207

TOTAL ASSETS $71,626

LIABILITIES AND NET ASSETS

Current Liabilities:
- Accounts Payable 2,780
- Accrued Wages and Vacation 1,050
- Refundable Advance 43,590
Total Liabilities 47,420

Net Assets:
- Unrestricted 24,206
- Temporarily Restricted -
Total Net Assets 24,206

TOTAL LIABILITIES AND NET ASSETS $71,626

(See Accompanying Notes and Independent Accountant’s Review Report)
CITIZENS FOR THE ARTS IN PENNSYLVANIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
</table>

Revenues, Gains and Other Support:

- Grants - Government $255,088
- Contributions 138
- Membership Dues 13,895
- Interest 6
- Net Assets Released from Restrictions
  - Satisfaction of Program Restrictions
  - Total Revenues, Gains and Other Support $269,127

Expenses:

- Membership and Program Services $264,649
- Fundraising 6,382
- General and Administrative 3,777
- Total Expenses $274,808

Changes in Net Assets $5,681

Net Assets, Beginning of Year 29,887

Net Assets, End of Year $24,206

(See Accompanying Notes and Independent Accountant’s Review Report)
Cash Flows from Operating Activities:
Changes in Net Assets $ (5,681)

Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:

- Depreciation Expense 343
- Accounts Receivable - (Increase)/Decrease (134)
- Prepaid Expenses and Deposits - (Increase)/Decrease (10,970)
- Accounts Payable - Increase/(Decrease) 1,747
- Accrued Wages and Vacation - Increase/(Decrease) 400
- Refundable Advance - Increase/(Decrease) 31,590

Net Cash Flows from Operating Activities $ 17,295

Cash Flows from Investing Activities:
Purchase of Fixed Assets $ (620)

Net Cash Flows from Investing Activities $ (620)

Net Change in Cash and Cash Equivalents $ 16,675

Cash and Cash Equivalents, Beginning of Year 42,058

Cash and Cash Equivalents, End of Year $ 58,733

Supplemental Disclosures
a) No income taxes were paid during the year ended September 30, 2016.
b) No interest was paid during the year ended September 30, 2016.

(See Accompanying Notes and Independent Accountant’s Review Report)
The Citizens for the Arts in Pennsylvania (the Organization) was incorporated in 1986 under the laws of the Commonwealth of Pennsylvania for the purpose of advancing the arts in Pennsylvania through advocacy, programs and services.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant policies of the Organization are summarized below:

(a) Accounting Method:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses and cash flows in accordance with accounting principles generally accepted in the United States of America.

(b) Revenue Recognition:

Contributions

The Organization has adopted Financial Accounting Standards Board ASC No. 958-605-25, Accounting for Contributions Received and Contributions Made. As such, contributions are recognized as revenue when they are received or unconditionally pledged.

All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions and promises to give with donor imposed conditions are recognized as unrestricted support when the conditions on which they depend are substantially met. Contributions and promises to give with donor-imposed restrictions are reported as temporarily restricted support. Unconditional promises to give due in the next year are recorded at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Membership

Membership dues are recognized as revenue when received and not when earned as required by generally accepted accounting principles.

(c) Income Taxes:

The Organization is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. Accordingly, no income taxes have been provided for in the accompanying financial statements. The Organization is not a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor. The Organization has also elected, under Section 501(h) of the Internal Revenue Code, to be recognized as an organization eligible to make expenditures to influence legislation.

(See Independent Accountant’s Review Report)
1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(d) Grants:

Grant revenues result primarily from government grants and are recognized as revenue when the expenditure is incurred. The grants are subject to audit by the grantor agency. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the grantor. No provision for possible adjustment has been made in the accompanying financial statements because, in the opinion of management, such adjustment, if any, cannot be determined at this date.

Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as receivable from grants.

(e) Net Assets:

The Organization has adopted Financial Accounting Standards Board ASC No. 958-205-05, Financial Statements of Not-for-Profit Organizations. Under FASB ASC No. 958-205-05, the Organization is required to report information regarding its financial position and activities according to three classes of net assets.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed restrictions and over which the board of directors has discretionary control. This classification includes net assets subject to donor imposed conditions, which have been met in the current year, and net assets subject to donor imposed restrictions that have been released from restrictions.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization did not have any temporarily restricted net assets at September 30, 2016.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that requires the net assets be maintained permanently by the Citizens for the Arts in Pennsylvania. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. The Citizens for the Arts in Pennsylvania did not have any permanently restricted net assets as of September 30, 2016.

(See Independent Accountant’s Review Report)
1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Materials, Equipment and Services:

There are no donated materials or services recorded in the financial statements. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's supporting services.

(g) Basic Programs:

Member and Program Services

Citizens for the Arts in Pennsylvania (CFA/PA) is a nonprofit 501 (c)(3) organization advocating for funding and for public policies, all to ensure the vibrant practice and appreciation of the arts and culture across the Commonwealth of Pennsylvania. As Pennsylvania’s only statewide multidisciplinary arts organization, we are uniquely positioned to make the case to the public and to policy makers in Harrisburg and Washington, DC. We work to publicize the contributions of the arts to society, increase public and private investment in the arts, expand the role of the arts in tourism, and promote the positive impact of arts education. We conduct activities directed to serving the membership. The activities include, but are not limited to, our system of online communications including our website at http://www.citizensfortheartsinpa.org and our periodic e-newsletter, The Citizen Online. We collaborate on print communications such as Arts & Economic Prosperity IV: PA and other publications that enhance our programs and services. We also cosponsor a variety of public events to publicize the contributions of the arts such as Arts and Education Symposium, Arts in Education Day at the State Capitol, and Legislative Visits Day. We work closely with the Pennsylvania Legislative Arts and Culture Caucus as well as facilitate meetings for the newly formed Pennsylvania Arts & Culture Coalition. Additionally, we also conduct training workshops that help artists, arts managers, and arts patrons become better advocates for the arts.

(h) Functional Expense Allocation Policies and Procedures:

Management has elected to prepare a schedule of functional expenses that is presented as supplemental information to the financial statements. The schedule of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs pertain to advancing the arts in Pennsylvania. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as special events.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation estimates based on financial results and industry standards.

(See Independent Accountant’s Review Report)
1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Functional Expense Allocation Policies and Procedures: (Continued)

Direct costs, where identifiable, are allocated in whole to the appropriate functional category.

Personnel expenses for salaries, payroll taxes and retirement are allocated based on job descriptions and management estimates of time spent on particular activities. Other expenses that are not directly identifiable by program are allocated based on management’s estimate of use of resources.

For other expenses where it would not be appropriate to designate 100 percent as a program service cost, general and administrative cost, or fundraising cost are allocated based on management estimates of use of resources.

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

(j) Fair Value of Certain Financial Instruments:

Some of the Organization’s financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, prepaid expenses, accounts payable, and accrued expenses.

2 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Organization’s financial statements and prescribe a threshold of “more likely than not” for recognition of tax positions taken or expected to be taken in a tax return. The Citizens for the Arts in Pennsylvania performed an evaluation of uncertain tax positions for the year ended September 30, 2016, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of September 30, 2016, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the organization files tax returns. It is the Organization’s policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of September 30, 2016, the Organization had no accruals for interest and/or penalties.

(See Independent Accountant’s Review Report)
3 - **CASH AND CASH EQUIVALENTS:**

Cash as of September 30, 2016, totaled $58,733 and consisted of one non-interest bearing checking account.

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

Certificates of Deposit with original maturities in excess of three months are considered to be cash, provided that the stated terms do not restrict the withdrawal of funds and such withdrawals do not have substantial penalties associated with them.

The Organization maintains its operating funds in one financial institution located in Harrisburg, Pennsylvania. These funds are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is $250,000 per account category.

As of September 30, 2016, none of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the years, the amount of funds at risk may have been greater than at year end. The Organization was at risk for the funds held in excess of the insured amounts.

4 - **FIXED ASSETS:**

Furniture and office equipment are recorded at cost, or in the case of contributed property, at the fair market value at the date of contribution. If an expenditure in excess of $250 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful life of the asset. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any other resulting gain or loss is reflected in income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended September 30, 2016, was $343. Maintenance and repairs are charged to expenses as incurred. Major classifications of fixed assets and their estimated useful lives are as summarized below:

<table>
<thead>
<tr>
<th>Estimated Useful Life</th>
<th>September 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and Equipment</td>
<td>3-5 Years</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>(8,379)</td>
</tr>
<tr>
<td>Net Fixed Assets</td>
<td></td>
</tr>
</tbody>
</table>

(See Independent Accountant’s Review Report)
5 - REFUNDABLE ADVANCE:

The Organization records cash receipts on grants in excess of costs incurred on grants as refundable advances until they are expended for the purposes of the grant at which time they are recognized as unrestricted support. The balance of refundable advance consists of the following:

<table>
<thead>
<tr>
<th>September 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support of Statewide Services</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

6 - COMMITMENTS:

Operating Lease:

The Organization entered into an operating lease for the rental of office space. The lease agreement is currently month-to-month. Office rental expense for the year ended September 30, 2016, was $3,000.

Organization Credit Card:

The Organization utilizes credit cards issued by PNC and American Express for purchases related to the Organization’s activity. The credit cards are issued in the name of the Organization. The PNC card has a credit limit of $3,000 and the American Express card has an unlimited credit limit. Both are considered to be unsecured.

7 - FUNDRAISING:

During the year ended September 30, 2016, expenses in the amount of $6,382 were incurred for the purposes of fundraising.

8 - EMPLOYEE BENEFITS:

The cost of fringe benefits incurred consisted of the following:

<table>
<thead>
<tr>
<th>September 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
</tr>
<tr>
<td>Retirement</td>
</tr>
<tr>
<td>Unemployment</td>
</tr>
<tr>
<td>Worker's Compensation</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

(See Independent Accountant’s Review Report)
9 - RELATED PARTY TRANSACTIONS:

Contributions

Various board members of the Citizens for the Arts in Pennsylvania and organizations, for which they are affiliated, made contributions to the Organization. Such contributions of $_____ were made during the year ended September 30, 2016.

10 - CONCENTRATIONS:

Based on the nature and purpose of the Citizens for the Arts in Pennsylvania, significant revenues are received through parties interested in advancing arts in Pennsylvania. Approximately ninety-five percent (95%) of total support was attributable to government grants from the Pennsylvania Council on the Arts.

11 - CONTINGENCIES:

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.

12 - SUBSEQUENT EVENTS:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February __, 2017, the date the financial statements were available to be issued.

(See Independent Accountant’s Review Report)
CITIZENS FOR THE ARTS IN PENNSYLVANIA  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Supporting Services

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Total</th>
<th>General and Administrative</th>
<th>Fundraising</th>
<th>Program Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 52,400</td>
<td>$ 2,293</td>
<td>$ 3,384</td>
<td>$ 46,723</td>
</tr>
<tr>
<td>Fringe Benefits</td>
<td>7,568</td>
<td>331</td>
<td>489</td>
<td>6,748</td>
</tr>
<tr>
<td>Subgrants</td>
<td>171,029</td>
<td>-</td>
<td>-</td>
<td>171,029</td>
</tr>
<tr>
<td>Consulting</td>
<td>5,566</td>
<td>-</td>
<td>-</td>
<td>5,566</td>
</tr>
<tr>
<td>Travel</td>
<td>1,356</td>
<td>59</td>
<td>88</td>
<td>1,209</td>
</tr>
<tr>
<td>Conferences and Meetings</td>
<td>735</td>
<td>-</td>
<td>-</td>
<td>735</td>
</tr>
<tr>
<td>Accounting and Audit</td>
<td>11,169</td>
<td>489</td>
<td>721</td>
<td>9,959</td>
</tr>
<tr>
<td>Postage and Shipping</td>
<td>382</td>
<td>17</td>
<td>25</td>
<td>340</td>
</tr>
<tr>
<td>Telephone and Internet</td>
<td>1,806</td>
<td>79</td>
<td>117</td>
<td>1,610</td>
</tr>
<tr>
<td>Web Page Development</td>
<td>366</td>
<td>-</td>
<td>-</td>
<td>366</td>
</tr>
<tr>
<td>Office and Program Supplies</td>
<td>2,444</td>
<td>107</td>
<td>158</td>
<td>2,179</td>
</tr>
<tr>
<td>Research</td>
<td>9,989</td>
<td>-</td>
<td>-</td>
<td>9,989</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,408</td>
<td>62</td>
<td>91</td>
<td>1,255</td>
</tr>
<tr>
<td>Dues and Subscriptions</td>
<td>2,967</td>
<td>130</td>
<td>192</td>
<td>2,645</td>
</tr>
<tr>
<td>Office Rent</td>
<td>3,000</td>
<td>131</td>
<td>194</td>
<td>2,675</td>
</tr>
<tr>
<td>Bank and Other Fees</td>
<td>1,474</td>
<td>64</td>
<td>95</td>
<td>1,315</td>
</tr>
<tr>
<td>Membership Appeal</td>
<td>806</td>
<td>-</td>
<td>806</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>343</td>
<td>15</td>
<td>22</td>
<td>306</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$ 274,808</td>
<td>$ 3,777</td>
<td>$ 6,382</td>
<td>$ 264,649</td>
</tr>
</tbody>
</table>

(See Independent Accountant's Review Report)