



# ATHENÆUM

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FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011



# THE ATHENAEUM FOUNDATION, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Athenaeum Foundation, Inc.  
Indianapolis, Indiana

We have audited the accompanying financial statements of THE ATHENAEUM FOUNDATION, INC., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of THE ATHENAEUM FOUNDATION, INC. as of December 31, 2012 and 2011, and the changes in net assets, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "Cheryl D. Gray".

May 15, 2013

# THE ATHENAEUM FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash	\$ 41,760	\$ 53,928
Accounts receivable	17,618	14,618
Pledges receivable - Trustee Pledge Campaign	4,800	5,500
Grants receivable	200	200
Prepaid insurance	5,461	26,111
Total current assets	<u>69,839</u>	<u>100,357</u>
<b>Property and Equipment:</b>		
Land	1,175,278	1,175,278
Building and improvements	8,900,244	8,900,244
Furniture and equipment	701,207	701,207
	<u>10,776,729</u>	<u>10,776,729</u>
Less accumulated depreciation	7,862,941	7,417,013
Property and equipment, net	2,913,788	3,359,716
<b>Artifacts</b>	<u>69,690</u>	<u>69,690</u>
Total assets	<u>\$ 3,053,317</u>	<u>\$ 3,529,763</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Current portion of long-term debt	\$ 33,474	\$ 33,534
Accounts payable	29,119	98,353
Accrued expenses	16,764	13,811
Deferred rental income	20,150	30,375
Total current liabilities	99,507	176,073
<b>Long-Term Debt</b>	<u>768,832</u>	<u>802,307</u>
Total liabilities	<u>868,339</u>	<u>978,380</u>
<b>Net Assets:</b>		
Unrestricted net assets	2,157,849	2,534,003
Temporarily restricted net assets	27,129	17,380
Total net assets	<u>2,184,978</u>	<u>2,551,383</u>
Total liabilities and net assets	<u>\$ 3,053,317</u>	<u>\$ 3,529,763</u>

See accompanying Notes to Financial Statements.

# THE ATHENAEUM FOUNDATION, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE TOTALS FOR 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Totals</u>
<b>Support:</b>				
Contributions	\$ 133,673	\$ -0-	\$ 133,673	\$ 107,719
Grants	-0-	35,000	35,000	62,800
In-kind contributions	22,349	-0-	22,349	26,226
	<u>156,022</u>	<u>35,000</u>	<u>191,022</u>	<u>196,745</u>
<b>Other Revenue:</b>				
Rental income	638,721	-0-	638,721	532,755
Events income	75,893	-0-	75,893	81,237
Parking income	81,004	-0-	81,004	61,651
Interest income	48	-0-	48	91
Other	8,392	-0-	8,392	17,525
	<u>804,058</u>	<u>-0-</u>	<u>804,058</u>	<u>693,259</u>
Total support and revenue	960,080	35,000	995,080	890,004
<b>Temporarily Restricted Assets Released From Restriction</b>	<u>25,251</u>	<u>(25,251)</u>	<u>-0-</u>	<u>-0-</u>
	<u>985,331</u>	<u>9,749</u>	<u>995,080</u>	<u>890,004</u>
<b>Expenses:</b>				
Building operations	1,074,906	-0-	1,074,906	1,048,670
Fundraising	132,273	-0-	132,273	97,866
Management and general	154,306	-0-	154,306	187,665
Total expenses	<u>1,361,485</u>	<u>-0-</u>	<u>1,361,485</u>	<u>1,334,201</u>
Change in net assets	(376,154)	9,749	(366,405)	(444,197)
<b>Net Assets, Beginning of Year</b>	<u>2,534,003</u>	<u>17,380</u>	<u>2,551,383</u>	<u>2,995,580</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,157,849</u>	<u>\$ 27,129</u>	<u>\$ 2,184,978</u>	<u>\$ 2,551,383</u>
<b>Proforma Change in Net Assets without Depreciation Expense</b>	<u>\$ 69,774</u>	<u>\$ 9,749</u>	<u>\$ 79,523</u>	<u>\$ 30,435</u>

See accompanying Notes to Financial Statements.

# THE ATHENAEUM FOUNDATION, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>
<b>Support:</b>			
Contributions	\$ 107,719	\$ -0-	\$ 107,719
Grants	-0-	62,800	62,800
In-kind contributions	26,226	-0-	26,226
	<u>133,945</u>	<u>62,800</u>	<u>196,745</u>
<b>Other Revenue:</b>			
Rental income	532,755	-0-	532,755
Events income	81,237	-0-	81,237
Parking income	61,651	-0-	61,651
Interest income	91	-0-	91
Other	17,525	-0-	17,525
	<u>693,259</u>	<u>-0-</u>	<u>693,259</u>
 Total support and revenue	 827,204	 62,800	 890,004
<b>Temporarily Restricted Assets</b>			
<b>Released From Restriction</b>	<u>93,052</u>	<u>(93,052)</u>	<u>-0-</u>
	<u>920,256</u>	<u>(30,252)</u>	<u>890,004</u>
<b>Expenses:</b>			
Building operations	1,048,670	-0-	1,048,670
Fundraising	97,866	-0-	97,866
Management and general	187,665	-0-	187,665
Total expenses	<u>1,334,201</u>	<u>-0-</u>	<u>1,334,201</u>
 Change in net assets	 (413,945)	 (30,252)	 (444,197)
<b>Net Assets, Beginning of Year</b>	<u>2,947,948</u>	<u>47,632</u>	<u>2,995,580</u>
<b>Net Assets, End of Year</b>	<u>\$ 2,534,003</u>	<u>\$ 17,380</u>	<u>\$ 2,551,383</u>
 <b>Proforma Change in Net Assets without Depreciation Expense</b>	 <u>\$ 60,687</u>	 <u>\$ (30,252)</u>	 <u>\$ 30,435</u>

See accompanying Notes to Financial Statements.

# THE ATHENAEUM FOUNDATION, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE TOTALS FOR 2011

	<u>Building Operations</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Labor and Benefits:</b>					
Salaries	\$ 82,758	\$ 31,528	\$ 82,758	\$ 197,044	\$ 180,067
Employee benefits	1,632	622	1,632	3,886	2,876
Payroll taxes and expense	<u>7,932</u>	<u>3,022</u>	<u>7,932</u>	<u>18,886</u>	<u>14,724</u>
Total labor and benefits	92,322	35,172	92,322	219,816	197,667
<b>Other Expenses:</b>					
Depreciation	437,009	-0-	8,919	445,928	474,632
Utilities	221,923	-0-	4,529	226,452	222,393
Interest expense	62,103	-0-	-0-	62,103	49,978
Repairs and maintenance	97,833	-0-	1,997	99,830	92,689
Insurance	47,018	-0-	4,088	51,106	32,958
Outside services	43,435	-0-	-0-	43,435	42,395
Equipment rental	11,886	-0-	-0-	11,886	11,614
Office expense	12,690	-0-	668	13,358	8,955
Other taxes and licenses	8,730	-0-	10,669	19,399	23,921
Professional fees	-0-	-0-	27,057	27,057	30,886
Event expense	-0-	96,483	-0-	96,483	56,378
Meals and entertainment	10,144	-0-	102	10,246	5,295
Parking expense	212	-0-	-0-	212	510
Bank service charges	1,477	-0-	-0-	1,477	1,424
Grant expense	24,551	-0-	-0-	24,551	78,345
Marketing expense	-0-	618	1,855	2,473	316
Dues and subscriptions	-0-	-0-	2,100	2,100	1,267
Miscellaneous	<u>3,573</u>	<u>-0-</u>	<u>-0-</u>	<u>3,573</u>	<u>2,578</u>
	<u>\$ 1,074,906</u>	<u>\$ 132,273</u>	<u>\$ 154,306</u>	<u>\$ 1,361,485</u>	<u>\$ 1,334,201</u>

See accompanying Notes to Financial Statements.



# THE ATHENAEUM FOUNDATION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2011

	<u>Building Operations</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>2011 Total</u>
<b>Labor and Benefits:</b>				
Salaries	\$ 75,628	\$ 28,811	\$ 75,628	\$ 180,067
Employee benefits	1,208	460	1,208	2,876
Payroll taxes and expense	<u>6,184</u>	<u>2,356</u>	<u>6,184</u>	<u>14,724</u>
Total labor and benefits	83,020	31,627	83,020	197,667
<b>Other Expenses:</b>				
Depreciation	465,139	-0-	9,493	474,632
Utilities	217,945	-0-	4,448	222,393
Interest expense	48,978	-0-	1,000	49,978
Repairs and maintenance	90,835	-0-	1,854	92,689
Insurance	13,183	-0-	19,775	32,958
Outside services	23,317	-0-	19,078	42,395
Equipment rental	11,614	-0-	-0-	11,614
Office expense	8,507	-0-	448	8,955
Other taxes and licenses	13,157	-0-	10,764	23,921
Professional fees	-0-	-0-	30,886	30,886
Event expense	-0-	56,378	-0-	56,378
Meals and entertainment	-0-	1,324	3,971	5,295
Parking expense	510	-0-	-0-	510
Bank service charges	-0-	-0-	1,424	1,424
Grant expense	69,887	8,458	-0-	78,345
Marketing expense	-0-	79	237	316
Dues and subscriptions	-0-	-0-	1,267	1,267
Miscellaneous	<u>2,578</u>	<u>-0-</u>	<u>-0-</u>	<u>2,578</u>
	<u>\$ 1,048,670</u>	<u>\$ 97,866</u>	<u>\$ 187,665</u>	<u>\$ 1,334,201</u>

See accompanying Notes to Financial Statements.

# THE ATHENAEUM FOUNDATION, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (366,405)	\$ (444,197)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	445,928	474,632
Loss on disposal of assets	-0-	15,860
Changes in operating assets and liabilities:		
Pledges receivable	700	-0-
Grant receivable	-0-	40,205
Prepaid insurance	20,650	(5,683)
Other assets	(3,000)	(2,420)
Accounts payable	(69,234)	(27,116)
Accrued expenses	2,953	662
Deferred rental income	(10,225)	5,325
	<u>21,367</u>	<u>57,268</u>
<b>Net cash provided by operating activities</b>		
<b>Cash Flows From Investing Activities:</b>		
Property and equipment capital expenditures	-0-	(24,375)
<b>Cash Flows From Financing Activities:</b>		
Borrowings on line of credit, net	-0-	56,461
Principal payments on long-term debt	(33,535)	(41,602)
<b>Net cash provided by (used in) financing activities</b>	<u>(33,535)</u>	<u>14,859</u>
<b>Net increase (decrease) in cash</b>	(12,168)	47,752
<b>Cash, Beginning of Year</b>	<u>53,928</u>	<u>6,176</u>
<b>Cash, End of Year</b>	<u>\$ 41,760</u>	<u>\$ 53,928</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash payments for interest	<u>\$ 60,924</u>	<u>\$ 49,978</u>
<b>Non-Cash Investing and Financing Activities:</b>		
Refinancing of lines of credit (\$183,461) and long-term debt (\$621,539) under long-term debt.	<u>\$ -0-</u>	<u>\$ 805,000</u>
Acquisition of building improvements under long-term debt.	<u>\$ -0-</u>	<u>\$ 127,000</u>

See accompanying Notes to Financial Statements.

# THE ATHENAEUM FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

### 1. SIGNIFICANT ACCOUNTING POLICIES

**THE ATHENAEUM FOUNDATION, INC.** (the "Organization") is a not-for-profit organization formed in 1991, dedicated to restoring the architectural treasure known as the "Das Deutsche Haus Athenaeum" (Athenaeum Building). The Organization's mission is to revitalize the Athenaeum Building so that it may serve the Indianapolis community as a center for the arts, entertainment, and physical fitness, while preserving and maintaining its unique historical character. The Organization sponsors a number of family and heritage related events and programs throughout the calendar year.

In addition to leasing space in the Athenaeum Building, the Organization provides discounted or free meeting space to many not-for-profit organizations and receives contributions from the public and grants from various sources to promote its mission and continue to improve the facilities as a community center. The Organization also earns revenues from events, parking and interest income.

The significant accounting policies followed by the Organization in the preparation of its financial statements are summarized below:

#### Fund Accounting

The Organization utilizes the principles of fund accounting in the preparation of its financial statements. The two fund accounts used include the following:

#### Unrestricted Fund

The unrestricted fund is used to account for all contributions, revenues and expenses from the general operations of the Organization.

#### Temporarily Restricted Fund

The temporarily restricted fund is used to record revenues that are earned and which contain restrictions placed by the donor.

#### Revenue and Expense Recognition and Accounts Receivable

Support and other revenues are reported as increases in unrestricted or temporarily restricted net assets based upon donor-imposed restrictions, if any. Contributions are recognized when the donor makes an unconditional promise to give to the Organization either in writing or verbally. Events, parking and other income are recognized when earned or received. Expenses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Rental income is recognized on a straight-line basis over the term of the related lease. Differences between payments required under the terms of the lease and the revenues recognized on a straight-line basis are recorded as deferred rent.

# THE ATHENAEUM FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

Accounts receivable are reported at the amount invoiced. The Organization, on a periodic basis, evaluates its accounts receivable and establishes an allowance for doubtful accounts based on past write-offs, collections, and current credit conditions.

### Functional Expenses

Expenses are classified as Building Operations, Fundraising and Management and General. Classifications are based on actual direct expenditures and cost allocations determined by estimates of time spent by Organization personnel, facilities usage or other rational basis of allocation.

### Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Principal estimates used in the preparation of the financial statements include depreciation methods, useful lives of property and equipment, collectability of pledge and grant receivables and the allocation of functional expenses.

### Property, Equipment and Depreciation

Purchased property and equipment are recorded at cost. Items donated are recorded at fair market value on the date of donation. Costs of improvements are capitalized and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets utilizing the straight-line method. The ranges of useful lives used by the Organization are as follows:

<u>Description</u>	<u>Ranges of Useful Lives</u>
Building and improvements	5-25 years
Furniture and equipment	3-10 years

### Artifacts

Artifacts consist of donated works of art and furniture. All donated artifacts are recorded at their estimated fair value as a contribution in the period received and are not subject to depreciation.

### In-Kind Contributions

The Organization receives in-kind donations and contributions from unrelated parties including various services provided free of charge or at significant discounts.

# THE ATHENAEUM FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

### Income Taxes

The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state law. Certain unrelated business activities, such as earnings from beverage sales and parking revenue, are subject to unrelated business income tax.

Management of the Organization evaluates all significant tax positions to ensure compliance with exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2012, Management does not believe the Organization has taken any tax positions that are not in compliance with the exempt purpose of the Organization. The Organization's Federal and state tax returns remain open and subject to examination beginning with the calendar tax year ended December 31, 2009.

### Subsequent Events

Subsequent events have been evaluated through May 15, 2013, which is the date the financial statements were available for issuance.

## 2. PLEDGES RECEIVABLE - TRUSTEE PLEDGE CAMPAIGN

During 2007, the Organization established a Trustee Pledge Campaign for the purpose of reducing the Organization's long-term debt. The Trustees pledged \$227,200 in 2007, of which \$700 and \$0- was received during the years ended December 31, 2012 and 2011, respectively.

Pledges receivable in the amount of \$4,800 at December 31, 2012 is expected to be received during the year ending December 31, 2013.

## 3. GRANTS RECEIVABLE

The Organization recognizes all material conditional or unconditional promises to give as grant revenue. Promises to give that are expected to be collected in future years are recorded at their net present value. Grants receivable of \$200 at December 31, 2012 and 2011 are due from a grantor within one year.

# THE ATHENAEUM FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

### 4. LINE OF CREDIT

The Organization has a \$25,000 (\$150,000 revolving line of credit and a \$50,000 temporary line of credit at December 31, 2011) revolving line of credit available for short-term working capital needs. The credit facility is subject to renewal on November 15, 2013. The credit agreement requires monthly payments of interest on outstanding borrowings at 0.5% over the bank's prime rate, with a 5% floor. Borrowings are secured by substantially all assets of the Organization including the Athenaeum Building and are restricted for grant supported uses and are cross collateralized and cross defaulted with the note payable to bank (Note 5). There were no outstanding borrowings as of December 31, 2012 and 2011, respectively.

### 5. LONG-TERM DEBT

Long-term debt at December 31, 2012 and 2011 includes the following:

	<u>2012</u>	<u>2011</u>
Note payable to bank; 6.5%, payable in monthly installments of \$7,053 including interest with a balloon payment due in November 2017.	\$ 802,306	\$ 835,841
Less current maturities	<u>33,474</u>	<u>33,534</u>
	<u>\$ 768,832</u>	<u>\$ 802,307</u>

Annual maturities of long-term debt at December 31, 2012 are as follows:

<u>Year Ending December 31,</u>	
2013	\$ 33,474
2014	35,716
2015	38,108
2016	40,660
2017	<u>654,348</u>
	<u>\$ 802,306</u>

Secured by substantially all assets of the Organization, including a mortgage on the Athenaeum Building, and cross collateralized and cross defaulted with the line of credit (Note 4). The credit agreement places restrictive covenants on the Organization.

# THE ATHENAEUM FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

### 6. LEASING ARRANGEMENTS

The Organization leases its facilities to tenants under the terms of long-term operating leases that include both fixed rentals and contingent rentals. Rental income received under the terms of fixed rental leases was \$204,930 and \$199,792 for the years ended December 31, 2012 and 2011, respectively.

Future minimum rental income to be received under the terms of the fixed rental, noncancelable operating leases at December 31, 2012 are as follows:

Year Ending <u>December 31,</u>	
2013	\$ 198,361
2014	172,601
2015	93,156
2016	<u>5,785</u>
	<u>\$ 469,903</u>

The Organization also leases space to a tenant under the terms of a contingent rental agreement that calls for the tenant to pay a certain percentage of its gross revenues and gate fees to the Organization on a monthly basis through the end of the lease term in March 2018. Rental income received under the terms of the contingent rental agreement for the years ended December 31, 2012 and 2011 was \$346,330 and \$271,938, respectively.

### 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Signage	\$ 12,500	\$ -0-
German American Story	5,829	2,000
Trustee Pledge Campaign	4,800	5,500
National Historic Landmark application	4,000	4,000
Strategic planning and board development	-0-	5,400
YMCA renovations	<u>-0-</u>	<u>480</u>
Total temporarily restricted net assets	<u>\$ 27,129</u>	<u>\$ 17,380</u>

# THE ATHENAEUM FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

### 8. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions due to the satisfaction of donor-imposed restrictions totaled \$25,251 and \$93,052 for the years ended December 31, 2012 and 2011, respectively. The assets were used for various programs and events.

### 9. CONCENTRATION OF CREDIT RISK

#### Cash

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash.

#### Rental Income Concentration

For the years ended December 31, 2012 and 2011, the Organization received 69% and 77%, respectively, of its rental revenue from two (2) tenants.