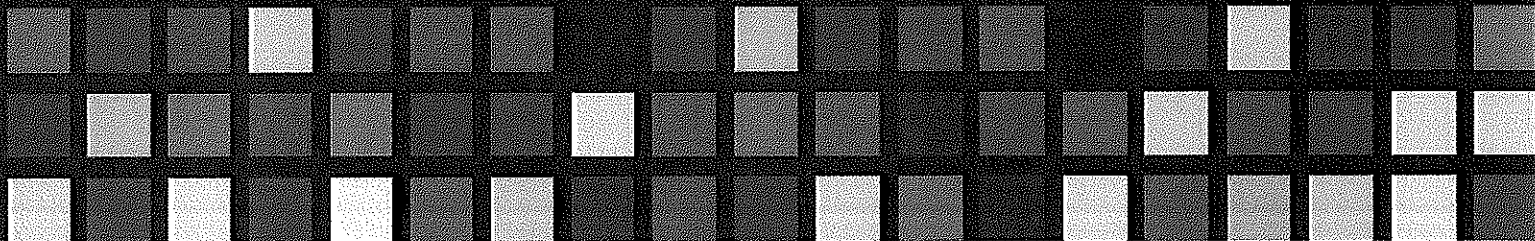


# Rochester Art Center

Financial Report  
December 31, 2014



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## Independent Auditor's Report

To the Board of Directors  
Rochester Art Center  
Rochester, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of Rochester Art Center, which are comprised of the statements of financial position as of December 31, 2014 and 2013; 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 Rochester Art Center as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey LLP*

Rochester, Minnesota  
June 19, 2015

Rochester Art Center

Statements of Financial Position  
December 31, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Current Assets		
Cash	\$ 100,870	\$ 83,184
Receivables:		
Trade	8,219	33,384
Pledges (Note 2)	68,095	35,037
Inventory	657	657
Prepaid expenses	4,164	4,326
<b>Total current assets</b>	<b>182,005</b>	<b>156,588</b>
Property and Equipment		
Leasehold interest in facility (Note 5)	6,345,965	6,514,442
Furniture and equipment, net	21,050	29,054
<b>Net property and equipment</b>	<b>6,367,015</b>	<b>6,543,496</b>
Other Assets		
Works of art	84,742	84,742
<b>Total assets</b>	<b>\$ 6,633,762</b>	<b>\$ 6,784,826</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 46,541	\$ 14,734
Accrued expenses	22,498	18,500
Deferred revenue	58,532	54,623
<b>Total current liabilities</b>	<b>127,571</b>	<b>87,857</b>
Net Assets (Notes 3 and 5)		
Unrestricted:		
Undesignated (deficit)	(56,201)	(48,765)
Invested in:		
Equipment	21,050	29,054
Works of art	84,742	84,742
Temporarily restricted	6,448,480	6,623,818
Permanently restricted	8,120	8,120
<b>Total net assets</b>	<b>6,506,191</b>	<b>6,696,969</b>
	<b>\$ 6,633,762</b>	<b>\$ 6,784,826</b>

See Notes to Financial Statements.

Rochester Art Center

Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support:				
General contributions	\$ 101,885	\$ -	\$ -	\$ 101,885
Grants:				
City of Rochester (Note 5)	250,000	-	-	250,000
Others	52,500	95,803	-	148,303
Corporate sponsorships	66,253	24,097	-	90,350
Membership	36,934	-	-	36,934
Fundraisers	47,458	-	-	47,458
In-kind	78,867	-	-	78,867
<b>Total public support</b>	<b>633,897</b>	<b>119,900</b>	<b>-</b>	<b>753,797</b>
Revenues:				
Admissions	3,377	-	-	3,377
Rentals	184,733	-	-	184,733
Gallery shop	667	-	-	667
Exhibitions	26,235	-	-	26,235
Education	31,327	-	-	31,327
Special programs	18,163	-	-	18,163
Other	122	-	-	122
<b>Total revenues</b>	<b>264,624</b>	<b>-</b>	<b>-</b>	<b>264,624</b>
Net assets released from restrictions	295,238	(295,238)	-	-
<b>Total support and revenues</b>	<b>1,193,759</b>	<b>(175,338)</b>	<b>-</b>	<b>1,018,421</b>
Expenses:				
Program services	829,940	-	-	829,940
Supporting services:				
Fundraising	174,683	-	-	174,683
Management and general	204,576	-	-	204,576
<b>Total expenses</b>	<b>1,209,199</b>	<b>-</b>	<b>-</b>	<b>1,209,199</b>
<b>Change in net assets</b>	<b>(15,440)</b>	<b>(175,338)</b>	<b>-</b>	<b>(190,778)</b>
Net assets, beginning	65,031	6,623,818	8,120	6,696,969
Net assets, ending	\$ 49,591	\$ 6,448,480	\$ 8,120	\$ 6,506,191

See Notes to Financial Statements.

Rochester Art Center

Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support:				
General contributions	\$ 46,594	\$ 709	\$ -	\$ 47,303
Grants:				
City of Rochester (Note 5)	245,000	-	-	245,000
Others	10,000	56,801	-	66,801
Corporate sponsorships	87,273	18,500	-	105,773
Membership	33,113	-	-	33,113
Fundraisers	50,835	-	-	50,835
In-kind	87,198	-	-	87,198
<b>Total public support</b>	<b>560,013</b>	<b>76,010</b>	<b>-</b>	<b>636,023</b>
Revenues:				
Admissions	3,055	-	-	3,055
Rentals	172,734	-	-	172,734
Gallery shop	987	-	-	987
Exhibitions	27,709	-	-	27,709
Education	27,438	-	-	27,438
Special programs	18,139	-	-	18,139
Other	160	-	-	160
<b>Total revenues</b>	<b>250,222</b>	<b>-</b>	<b>-</b>	<b>250,222</b>
Net assets released from restrictions	305,085	(305,085)	-	-
<b>Total support and revenues</b>	<b>1,115,320</b>	<b>(229,075)</b>	<b>-</b>	<b>886,245</b>
Expenses:				
Program services	727,512	-	-	727,512
Supporting services:				
Fundraising	188,093	-	-	188,093
Management and general	176,917	-	-	176,917
<b>Total expenses</b>	<b>1,092,522</b>	<b>-</b>	<b>-</b>	<b>1,092,522</b>
<b>Change in net assets</b>	<b>22,798</b>	<b>(229,075)</b>	<b>-</b>	<b>(206,277)</b>
Net assets, beginning	42,233	6,852,893	8,120	6,903,246
Net assets, ending	\$ 65,031	\$ 6,623,818	\$ 8,120	\$ 6,696,969

See Notes to Financial Statements.

Rochester Art Center

Statement of Functional Expenses  
Year Ended December 31, 2014

	Program Services			
	Exhibitions	Education	Special Programs	Gallery Shop
Salaries and wages	\$ 136,439	\$ 90,959	\$ 13,644	\$ 4,548
Payroll taxes	11,260	7,507	1,126	375
Employee benefits	7,920	5,280	792	264
<b>Total salaries and related expenses</b>	<b>155,619</b>	<b>103,746</b>	<b>15,562</b>	<b>5,187</b>
Staff development	-	-	-	-
Equipment purchase and repair	62,300	5,341	1,956	931
Supplies	7,473	8,785	189	3,086
Postage and printing	63,262	2,286	1,772	523
Shipping and transportation	23,869	-	-	-
Advertising	7,451	1,750	2,230	1,418
Utilities	72,832	10,404	5,202	2,601
Telephone	8,641	1,234	617	309
Exhibition openings	3,127	571	630	-
Fundraising event catering	-	-	-	-
Dues and subscriptions	401	80	120	40
Miscellaneous	11,282	3,651	1,621	73
Contract labor	19,115	5,200	10,500	-
Travel	12,639	1,142	-	-
Professional services	-	-	-	-
Bank and credit card fees	39	1,047	4	17
Insurance	13,579	1,940	970	485
<b>Total operating expenses</b>	<b>461,629</b>	<b>147,177</b>	<b>41,373</b>	<b>14,670</b>
Amortization of leasehold interest	117,934	25,272	8,424	6,738
Depreciation	4,002	801	1,600	320
<b>Total other operating expenses</b>	<b>121,936</b>	<b>26,073</b>	<b>10,024</b>	<b>7,058</b>
<b>Total expenses</b>	<b>\$ 583,565</b>	<b>\$ 173,250</b>	<b>\$ 51,397</b>	<b>\$ 21,728</b>

See Notes to Financial Statements.

Supporting Services				
Total	Fundraising	Management and General	Total	Grand Totals
\$ 245,590	\$ 86,411	\$ 122,795	\$ 209,206	\$ 454,796
20,268	7,131	10,134	17,265	37,533
14,256	5,016	7,128	12,144	26,400
280,114	98,558	140,057	238,615	518,729
-	925	-	925	925
70,528	10,840	19,407	30,247	100,775
19,533	1,586	1,249	2,835	22,368
67,843	11,628	2,215	13,843	81,686
23,869	-	-	-	23,869
12,849	26,696	1,488	28,184	41,033
91,039	5,202	7,803	13,005	104,044
10,801	617	926	1,543	12,344
4,328	-	-	-	4,328
-	8,010	-	8,010	8,010
641	1,525	1,847	3,372	4,013
16,627	1,789	5,536	7,325	23,952
34,815	1,100	-	1,100	35,915
13,781	33	341	374	14,155
-	-	13,290	13,290	13,290
1,107	1,353	1,423	2,776	3,883
16,974	970	1,455	2,425	19,399
664,849	170,832	197,037	367,869	1,032,718
158,368	3,370	6,739	10,109	168,477
6,723	481	800	1,281	8,004
165,091	3,851	7,539	11,390	176,481
\$ 829,940	\$ 174,683	\$ 204,576	\$ 379,259	\$ 1,209,199



Rochester Art Center

Statement of Functional Expenses  
Year Ended December 31, 2013

	Program Services			
	Exhibitions	Education	Special Programs	Gallery Shop
Salaries and wages	\$ 125,634	\$ 83,135	\$ 12,600	\$ 4,200
Payroll taxes	11,074	7,383	1,107	369
Employee benefits	7,142	4,761	714	238
<b>Total salaries and related expenses</b>	<b>143,850</b>	<b>95,279</b>	<b>14,421</b>	<b>4,807</b>
Staff development	-	-	-	-
Equipment purchase and repair	27,982	5,036	1,611	774
Supplies	7,265	7,891	265	380
Postage and printing	37,349	3,000	1,528	504
Shipping and transportation	46,193	-	-	-
Advertising	5,023	985	1,477	492
Utilities	61,719	8,817	4,409	2,204
Telephone	7,323	1,046	523	262
Exhibition openings	1,965	72	-	-
Fundraising event catering	-	-	-	-
Dues and subscriptions	284	55	122	27
Miscellaneous	11,548	6,646	1,905	130
Commissions	-	-	-	92
Contract labor	7,430	4,525	11,785	-
Travel	7,016	1,609	-	-
Professional services	-	-	-	-
Bank and credit card fees	139	623	-	21
Insurance	11,507	1,646	822	1,685
<b>Total operating expenses</b>	<b>376,593</b>	<b>137,230</b>	<b>38,868</b>	<b>11,378</b>
Amortization of leasehold interest	117,934	25,272	8,424	6,738
Depreciation	3,470	1,146	332	127
<b>Total other operating expenses</b>	<b>121,404</b>	<b>26,418</b>	<b>8,756</b>	<b>6,865</b>
<b>Total expenses</b>	<b>\$ 497,997</b>	<b>\$ 163,648</b>	<b>\$ 47,624</b>	<b>\$ 18,243</b>

See Notes to Financial Statements.

Supporting Services				
Total	Fundraising	Management and General	Total	Grand Totals
\$ 225,569	\$ 79,269	\$ 111,476	\$ 190,745	\$ 416,314
19,933	7,013	9,966	16,979	36,912
12,855	4,523	6,428	10,951	23,806
258,357	90,805	127,870	218,675	477,032
-	750	-	750	750
35,403	26,666	4,722	31,388	66,791
15,801	2,249	1,771	4,020	19,821
42,381	13,168	2,164	15,332	57,713
46,193	1,114	-	1,114	47,307
7,977	9,573	1,208	10,781	18,758
77,149	4,408	6,613	11,021	88,170
9,154	523	785	1,308	10,462
2,037	-	-	-	2,037
-	22,818	-	22,818	22,818
488	1,075	1,574	2,649	3,137
20,229	8,443	3,592	12,035	32,264
92	-	-	-	92
23,740	100	-	100	23,840
8,625	25	184	209	8,834
-	-	14,700	14,700	14,700
783	868	2,515	3,383	4,166
15,660	822	1,233	2,055	17,715
564,069	183,407	168,931	352,338	916,407
158,368	3,370	6,739	10,109	168,477
5,075	1,316	1,247	2,563	7,638
163,443	4,686	7,986	12,672	176,115
\$ 727,512	\$ 188,093	\$ 176,917	\$ 365,010	\$ 1,092,522

Rochester Art Center

Statements of Cash Flows  
Years Ended December 31, 2014 and 2013

	2014	2013
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (190,778)	\$ (206,277)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,004	7,638
Amortization of leasehold interest	168,477	168,477
(Increase) decrease in assets:		
Accounts receivable	(7,893)	32,970
Inventory	-	1,274
Prepaid expenses and other assets	162	2,472
Increase (decrease) in liabilities:		
Accounts payable	31,807	(12,273)
Accrued expenses	3,998	(843)
Deferred revenue	3,909	15,913
<b>Net cash provided by operating activities</b>	<b>17,686</b>	<b>9,351</b>
<b>Cash Flows From Investing Activities</b>		
Purchase of equipment	-	(13,206)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(13,206)</b>
<b>Net increase (decrease) in cash</b>	<b>17,686</b>	<b>(3,855)</b>
Cash, beginning	83,184	87,039
Cash, ending	<b>\$ 100,870</b>	<b>\$ 83,184</b>

See Notes to Financial Statements.

## Rochester Art Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

**Nature of business:** The Rochester Art Center (the Organization) is a not-for-profit corporation organized under Chapter 309 of the revised statutes of the State of Minnesota. The Organization's purpose is to provide to the citizens of Rochester and southeastern Minnesota the opportunity to know, practice, and enjoy the arts. In addition, the Organization works to show the vital relationship of the arts to our daily lives and to join with schools, churches, libraries, and community groups to make Rochester a cultural center worthy of its scientific achievements. The Organization's primary funding comes from the City of Rochester (see Note 5) and through corporate and individual donations, grants and facility rental fees.

**Estimates:** The preparation of financial statements in conformity 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 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.

**Cash:** The Organization maintains cash in depository bank accounts.

**Receivables:** Receivables that are expected to be collected within one year are recorded at net realizable value. Amounts not expected to be collected within one year are reported at present value of projected future cash flows using a risk-free interest rate. Management determines bad debts by regularly evaluating individual balances and considering current financial and economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

At December 31, 2014 and 2013, the Organization did not identify any receivables it deemed to be uncollectible. No allowance for uncollectible accounts has been recorded.

**Revenue recognition:** Memberships and program fees are recognized as revenue over the period to which the membership or fees relate. Revenue from grants is recognized according to the terms of the agreements. All contributions and promises to give are recognized at the time the Organization has the unconditional right to receive them and are reported at fair value as unrestricted unless specifically restricted by the donor. Conditional contributions are recognized when the condition has been substantially met. Amounts recognized that are restricted for future periods or specific purposes are reported as increases in temporarily restricted or permanently restricted net 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 and changes in net assets as net assets released from restrictions. If the restriction is met in the period the related revenue is recognized, the amounts are reported only within the unrestricted activity.

Many individuals have contributed a significant amount of time to activities of the Organization. The Organization does not recognize these contributed services as revenues unless the services received 1) create or enhance existing facilities or 2) require specialized skills and are provided by individuals possessing those skills. The Organization recognized approximately \$33,600 and \$25,600 in contributed services during the years ended December 31, 2014 and 2013, respectively.

Donated goods and equipment are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. Facility improvements from the City of Rochester of approximately \$40,000 and \$35,700 during the years ended December 31, 2014 and 2013, respectively, (see Note 5) are included in the total donated goods and equipment recognized by the Organization of approximately \$45,257 and \$61,560 during the years ended December 31, 2014 and 2013, respectively.

## Rochester Art Center

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Functional expense allocation:** The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the corresponding functional classifications, such as major classes of program services and supporting activities that benefit from such costs.

**Works of art:** The Organization recognizes works of art as assets. Donations of works of art are recorded at fair value at the date of the gift based on independent appraisals or valuations. Purchases of works of art are recorded at cost. Long-lived assets, such as works of art, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No indicators of potential impairment were present as of December 31, 2014 and 2013; therefore, no impairment analysis was performed on these dates.

**Inventory:** Gallery shop inventory is valued at the lower of cost (first-in, first-out) or market.

**Furniture and equipment:** Furniture and equipment are stated at cost, if purchased, or at fair value on the date received, if donated, less accumulated depreciation. Depreciation is provided on the straight-line basis over the estimated useful life of the various assets (five to 10 years for the furniture and equipment). At December 31, 2014 and 2013, accumulated depreciation was \$590,082 and \$582,078, respectively. Depreciation expense for the years ended December 31, 2014 and 2013, was \$8,004 and \$7,638, respectively.

**Leasehold interest in facility:** The leasehold interest in the Rochester Art Center facility is stated at cost less amortization. Amortization is provided on the straight-line basis over the remaining term of the lease. See Note 5.

**Net assets:** Unrestricted net assets are those funds presently available for use by or on behalf of the Organization, including amounts available for general and administrative expenses. Temporarily restricted net assets are contributions that have donor-imposed stipulations that can be fulfilled by certain actions of the Organization. These are primarily contributions that are restricted for special programs, events and leasehold interest in facility. Permanently restricted net assets are contributions that have donor-imposed restrictions, whereby the amount of the gift is to be held in perpetuity.

**Income taxes:** The Organization is generally exempt from federal income taxes as a public charity under section 501(c)(3) of the Internal Revenue Code. The Organization files federal exempt income tax returns. As of December 31, 2014, generally, the federal and Minnesota tax returns for the Organization are open for examination by taxing authorities for the years 2011 to 2013. There was no material unrelated business income for the years ended December 31, 2014 and 2013.

As of December 31, 2014, management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax provisions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the *FASB Accounting Standards Codification*.

**Pension plan:** The Organization maintains a noncontributory pension plan for all qualified employees. Contributions to the plan are at the discretion of the Board of Directors. Pension expense was approximately \$10,100 and \$9,900 for the years ended December 31, 2014 and 2013, respectively.

Rochester Art Center

Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Recent accounting pronouncements:** In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard becomes effective for the Organization for the year beginning January 1, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

**Subsequent events:** In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 19, 2015, the date the financial statements were available to be issued.

**Note 2. Pledges Receivable**

As of December 31, 2014, pledges receivable are all expected to be collected during 2015.

**Note 3. Net Assets**

Permanently restricted net assets, with the earnings available to support donor purposes, as of December 31, 2014 and 2013, consisted of the following:

	2014	2013
Endowment Fund: The fund was established in 2005 to support the long-term financial stability of the Rochester Art Center.	\$ 1,100	\$ 1,100
John Riese Memorial Fund: The fund was established in 1994 to recognize high school students' excellence in art.	7,020	7,020
	<u>\$ 8,120</u>	<u>\$ 8,120</u>

Temporarily restricted net assets as of December 31, 2014 and 2013, consisted of the following:

	2014	2013
Purpose restricted:		
Public exhibitions and admissions	\$ 19,315	\$ 75,426
Art education and scholarships	16,550	5,550
Time restricted:		
Operations	66,650	28,400
Time restricted based on the life of the lease agreement:		
Leasehold interest in facility	6,345,965	6,514,442
	<u>\$ 6,448,480</u>	<u>\$ 6,623,818</u>

## Rochester Art Center

### Notes to Financial Statements

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#### Note 4. Funds Held by Others

**Rickee Henoach Art Fund:** The Rickee Henoach Art Fund is a donor-designated fund established in 1989 to provide funding for the Rochester Art Center in support of its programs, special events, or other special needs relating to arts and education. The principal and investment of the funds are under the control of the Rochester Area Foundation, which has the ability to grant out the income of the fund to the Organization, and are not reflected in the Organization's financial statements. The total funds held by the Rochester Area Foundation as of December 31, 2014 and 2013, were \$22,889 and \$23,028, respectively. The Organization received distributions of \$850 and \$700 from this fund in 2014 and 2013, respectively.

**Rochester Art Center Fund:** The Rochester Art Center Fund is an agency endowment fund established by the Organization in 1998 to provide long-term sustainable endowment growth for the Organization. The principal and investment of the funds are under the control of the Rochester Area Foundation, which has the ability to grant out the income of the fund to the Organization, or other similar board-approved organizations, and are not reflected in the Organization's financial statements. The total funds held by the Rochester Area Foundation as of December 31, 2014 and 2013, were \$12,602 and \$12,200, respectively. The Organization received distributions of \$-0- and \$580 from this fund in 2014 and 2013, respectively.

#### Note 5. Leasehold Interest in Facility and Concentration

The Organization completed a capital campaign to fund the construction of the current facility, which was completed in 2004 and constructed on land owned by the City of Rochester (the City). The Organization exchanged the facility with the City for a 50-year lease. The lease terms are a \$1 annual fee through December 2052. This agreement results in a contribution reported on the accompanying statements of financial position as a leasehold interest in facility. The Organization recognized a release from restriction and amortization of leasehold interest of \$168,477 in each year ended December 31, 2014 and 2013. The Organization is responsible for routine maintenance, and the City is responsible for major capital improvements.

The Organization receives a significant amount of support from the City in the form of other unrestricted contributions for operating activities and grants for minor facility improvements. For the years ended December 31, 2014 and 2013, the Organization recognized approximately \$250,000 and \$245,000, respectively, in grant revenues and approximately \$40,000 and \$35,700, respectively, in facility repairs. This support from the City represents approximately 28 percent and 32 percent of total revenues for the years ended December 31, 2014 and 2013, respectively.

#### Note 6. Going Concern and Management's Plans

The Organization has prepared its financial statements on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. During the year ended December 31, 2014, the Organization continued to experience operating losses. Management projects that there will be no further erosion in liquidity for 2015 due to increased fundraising efforts and substantial efforts made in reducing expenses that are not vital to supporting the revenue-producing activities of the Organization. These financial statements do not include adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Organization be unable to continue as a going concern.