NEW HAVEN INTERNATIONAL FESTIVAL OF ARTS AND IDEAS, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008 AND 2007
# Table of Contents

**NEW HAVEN INTERNATIONAL FESTIVAL OF ARTS AND IDEAS, INC.**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2008 AND 2007**

## INDEPENDENT AUDITOR'S REPORT

1

## AUDITED FINANCIAL STATEMENTS

<table>
<thead>
<tr>
<th>Statement</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statements of Financial Position</td>
<td>2</td>
</tr>
<tr>
<td>Statements of Activities</td>
<td>3</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>4</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>5-8</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR'S REPORT

The Board of Directors
New Haven International Festival of Arts and Ideas, Inc.

We have audited the accompanying statements of financial position of New Haven International Festival of Arts and Ideas, Inc. (a nonprofit organization) as of September 30, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the New Haven International Festival of Arts and Ideas, Inc.’s management. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 New Haven International Festival of Arts and Ideas, Inc. as of September 30, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hamden, Connecticut
November 19, 2008
NEW HAVEN INTERNATIONAL FESTIVAL OF ARTS AND IDEAS, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2008 AND 2007

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2008</th>
<th></th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
<td>Total</td>
<td>Unrestricted</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ 296,969</td>
<td></td>
<td>$ 296,969</td>
<td>$ 81,429</td>
</tr>
<tr>
<td>Contributions Receivable</td>
<td>1,026,510</td>
<td></td>
<td>1,026,510</td>
<td>1,096,732</td>
</tr>
<tr>
<td>Prepayments</td>
<td>5,609</td>
<td></td>
<td>5,609</td>
<td>6,639</td>
</tr>
<tr>
<td>Working Capital Fund Borrowings</td>
<td>-</td>
<td></td>
<td>-</td>
<td>(463,638)</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>1,329,088</td>
<td></td>
<td>1,329,088</td>
<td>721,162</td>
</tr>
<tr>
<td>PROPERTY AND EQUIPMENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>71,325</td>
<td></td>
<td>71,325</td>
<td>76,294</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>58,783</td>
<td></td>
<td>58,783</td>
<td>61,317</td>
</tr>
<tr>
<td>Property and Equipment, Net</td>
<td>12,542</td>
<td></td>
<td>12,542</td>
<td>14,977</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$ 1,341,630</td>
<td></td>
<td>$ 1,341,630</td>
<td>$ 736,139</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES
| Accounts Payable and Accrued Expenses | $ 54,210 | | $ 54,210 | $ 50,204 | | $ 50,204 |

NET ASSETS
| Working Capital Fund | 1,081,944 | | 1,081,944 | 337,040 | | 469,904 |
| Undesignated | 205,476 | | 205,476 | 348,895 | | 348,895 |
| Total Net Assets | 1,287,420 | | 1,287,420 | 685,935 | | 1,155,839 |

TOTAL | $ 1,341,630 | | $ 1,341,630 | $ 736,139 | | $ 1,206,043 |

See notes to financial statements.
NEW HAVEN INTERNATIONAL FESTIVAL OF ARTS AND IDEAS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2008 AND 2007

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
<td>Total</td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>$ 449,175</td>
<td>$ -</td>
<td>$ 449,175</td>
</tr>
<tr>
<td>Foundation</td>
<td>189,108</td>
<td>-</td>
<td>189,108</td>
</tr>
<tr>
<td>Government</td>
<td>35,000</td>
<td>1,053,619</td>
<td>1,088,619</td>
</tr>
<tr>
<td>Individual</td>
<td>800,211</td>
<td>-</td>
<td>800,211</td>
</tr>
<tr>
<td>Individual - Working Capital Fund</td>
<td>275,000</td>
<td>-</td>
<td>275,000</td>
</tr>
<tr>
<td>Total Contributions</td>
<td>1,748,494</td>
<td>1,053,619</td>
<td>2,802,113</td>
</tr>
<tr>
<td>Admissions</td>
<td>237,644</td>
<td>-</td>
<td>237,644</td>
</tr>
<tr>
<td>Donated Materials and Services</td>
<td>393,673</td>
<td>-</td>
<td>393,673</td>
</tr>
<tr>
<td>Other</td>
<td>33,661</td>
<td>-</td>
<td>33,661</td>
</tr>
<tr>
<td>Total Support and Revenue</td>
<td>3,936,995</td>
<td>(469,904)</td>
<td>3,467,091</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Costs</td>
<td>2,698,634</td>
<td>-</td>
<td>2,698,634</td>
</tr>
<tr>
<td>General and Administrative</td>
<td>166,219</td>
<td>-</td>
<td>166,219</td>
</tr>
<tr>
<td>Fundraising</td>
<td>470,657</td>
<td>-</td>
<td>470,657</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>3,335,510</td>
<td>-</td>
<td>3,335,510</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CHANGE IN NET ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>601,485</td>
<td>(469,904)</td>
<td>131,581</td>
<td>105,559</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS - BEGINNING OF YEAR</th>
<th>2008</th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>685,935</td>
<td>469,904</td>
<td>1,155,839</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET ASSETS - END OF YEAR</th>
<th>2008</th>
<th>2007</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,287,420</td>
<td>$ -</td>
<td>$ 1,287,420</td>
<td></td>
</tr>
</tbody>
</table>
NEW HAVEN INTERNATIONAL FESTIVAL OF ARTS AND IDEAS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2008 AND 2007

<table>
<thead>
<tr>
<th></th>
<th>2008 Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
<th>2007 Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 601,485</td>
<td>(469,904)</td>
<td>$131,581</td>
<td>$ 105,559</td>
<td>(8,561)</td>
<td>$96,998</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>5,948</td>
<td>-</td>
<td>5,948</td>
<td>4,920</td>
<td>-</td>
<td>4,920</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>70,222</td>
<td>-</td>
<td>70,222</td>
<td>(62,582)</td>
<td>8,561</td>
<td>(54,021)</td>
</tr>
<tr>
<td>Grant receivable</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>117,476</td>
<td>117,476</td>
<td></td>
</tr>
<tr>
<td>Prepayments</td>
<td>1,030</td>
<td>-</td>
<td>1,030</td>
<td>(2,287)</td>
<td>-</td>
<td>(2,287)</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>4,006</td>
<td>-</td>
<td>4,006</td>
<td>-</td>
<td>7,528</td>
<td>- 7,528</td>
</tr>
<tr>
<td>Cash provided by (used in) operating activities</td>
<td>682,691</td>
<td>(469,904)</td>
<td>212,787</td>
<td>53,138</td>
<td>117,476</td>
<td>170,614</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(3,513)</td>
<td>-</td>
<td>(3,513)</td>
<td>(9,736)</td>
<td>-</td>
<td>(9,736)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(3,513)</td>
<td>-</td>
<td>(3,513)</td>
<td>(9,736)</td>
<td>-</td>
<td>(9,736)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of note payable</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(265,000)</td>
<td>-</td>
<td>(265,000)</td>
</tr>
<tr>
<td>Transfer of working capital fund</td>
<td>(463,638)</td>
<td>463,638</td>
<td>-</td>
<td>146,620</td>
<td>(146,620)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(463,638)</td>
<td>463,638</td>
<td>-</td>
<td>(118,380)</td>
<td>(146,620)</td>
<td>(265,000)</td>
</tr>
<tr>
<td><strong>NET INCREASE (DECREASE) IN CASH</strong></td>
<td>215,540</td>
<td>(6,266)</td>
<td>209,274</td>
<td>(74,978)</td>
<td>(29,144)</td>
<td>(104,122)</td>
</tr>
<tr>
<td><strong>CASH - BEGINNING OF YEAR</strong></td>
<td>81,429</td>
<td>6,266</td>
<td>87,695</td>
<td>156,407</td>
<td>35,410</td>
<td>191,817</td>
</tr>
<tr>
<td><strong>CASH - END OF YEAR</strong></td>
<td>$296,969</td>
<td>-</td>
<td>$296,969</td>
<td>$81,429</td>
<td>6,266</td>
<td>$87,695</td>
</tr>
</tbody>
</table>

See notes to financial statements.
NOTE 1 – NATURE OF ACTIVITIES

New Haven International Festival of Arts and Ideas, Inc. (the "Organization") is a non-profit organization which was incorporated on August 3, 1995 for the purpose of organizing, conducting and supporting a summer festival for the performing, visual, and literary arts. The Festival is held annually in New Haven, Connecticut with continuing community arts and educational programs occurring regionally, on a year round basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, when applicable.

Allocation of Expenses

Program and supporting service costs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support 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.

Property and Equipment

It is the policy of the Organization to capitalize all expenditures for property and equipment in excess of $1,000. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Donated equipment is recorded at fair market at the date of the donation. Purchased equipment is recorded at cost.
NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

Donated materials and services of $393,673 and $519,737 were recorded at fair market value, and have been included in revenue and expenses for the years ended September 30, 2008 and 2007, respectively. In addition, the Organization receives significant amounts of other donated services and materials related to the production of its festival that were not recognized in the financial statements because they did not meet the criteria for recognition under SFAS No. 116.

Advertising

The Organization expends advertising costs as incurred.

Income Taxes

The Organization is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable represent commitments by donors to provide funding for the festival. Contributions receivable at September 30 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Connecticut Commission on Culture and Tourism</td>
<td>$ 950,000</td>
<td>$1,006,370</td>
</tr>
<tr>
<td>Others</td>
<td>76,510</td>
<td>90,362</td>
</tr>
<tr>
<td></td>
<td>$1,026,510</td>
<td>$1,096,732</td>
</tr>
</tbody>
</table>

All receivables are due in less than one year. Management has determined that all contributions receivable are fully collectible; therefore, no allowance for uncollectible contributions has been recorded in the accompanying financial statements.

NOTE 4 – CONCENTRATIONS OF CREDIT RISK

Cash

The Organization maintains cash at four financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation, however, at times, balances during the year exceed the insured limits.

Support and Revenue

The Organization received support from the State of Connecticut which represents 30% of total support and revenue for each of the years ended September 30, 2008 and 2007. In addition, there is increased financial risk because the amount of state grant awards are not known until late during the Organization's fiscal year. Any loss or reduction of major grants from the State of Connecticut could have significant impact on the Organization's financial position and program services.
NOTE 5 – OPERATING LEASES

The Organization leases its office under an agreement that expires on January 31, 2010. The lease requires fixed annual rent for each of the next three years as outlined in the agreement. Rent expense was $72,355 and $69,831 for the years ended September 30, 2008 and 2007, respectively.

The Organization has a noncancellable operating lease for office equipment that expires in November 2010. Rental expense for this lease was $4,623 for each of the years ended September 30, 2008 and 2007.

Future minimum lease payments under operating leases that have a term in excess of one year as of September 30, 2008 are as follows:

Years Ending September 30: $ 79,502
2009 26,011
2010 $105,513

NOTE 6 – LINES OF CREDIT

The Organization has a $200,000 line of credit agreement with Citizens Bank which expires on March 31, 2009. Principal is payable on demand and interest is payable monthly at the bank’s prime rate plus 0.75%. This agreement is secured by assets of certain board members. There was no outstanding balance at September 30, 2008 and 2007, respectively.

The Organization has a $550,000 line of credit agreement with Bank of America which expires on December 31, 2008. Principal is payable on demand and interest is payable monthly at the bank’s prime rate. The loan is secured by the Organization’s assets. There was no outstanding balance at September 30, 2008 and 2007, respectively.

NOTE 7 – WORKING CAPITAL FUND

Previously, the Organization received a $578,420 grant from the Greater New Haven Arts Stabilization Project of which $469,904 was used to establish a working capital fund. As of September 30, 2008, the restriction on this working capital fund was satisfied and these funds became part of the board designated - working capital fund. In addition to these funds, the Board commenced a working capital campaign. The purpose of this campaign is to raise a minimum of $3 million to finance the Organization’s operations into the future, minimize external borrowing, and provide the necessary resources to fund commissioned and produced works in advance of current programming. Contributions in the amount of $275,000 and $81,000 were received during the years ended September 30, 2008 and 2007, respectively. The working capital fund balance was $1,081,944 and $806,944 at September 30, 2008 and 2007, respectively.

NOTE 8 – RETIREMENT PLAN

The Organization has established a 403(b) retirement plan for its employees. Participants in the plan can contribute a percentage of compensation up to the maximum allowed under the Internal Revenue Code. The plan does not provide for a matching contribution by the Organization.
NOTE 9 – NET ASSETS

As of September 30, 2008 and 2007, the Organization’s unrestricted and temporarily restricted net assets consisted of the following:

<table>
<thead>
<tr>
<th>Fund Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated by the Board as Working Capital Funds (See Note 7)</td>
<td>$1,081,944</td>
<td>$337,040</td>
</tr>
<tr>
<td>Undesignated</td>
<td>205,476</td>
<td>348,895</td>
</tr>
<tr>
<td>Unrestricted Net Assets</td>
<td>$1,287,420</td>
<td>$685,935</td>
</tr>
<tr>
<td><strong>Temporarily Restricted Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Working Capital Fund (See Note 7)</td>
<td>$ -</td>
<td>$469,904</td>
</tr>
</tbody>
</table>