

**CRESTED BUTTE
CENTER FOR THE ARTS, INC.**

FINANCIAL STATEMENTS

October 31, 2015 and 2014

**CRESTED BUTTE
CENTER FOR THE ARTS, INC.**

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October 31, 2015

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**CRESTED BUTTE
CENTER FOR THE ARTS, INC.**

October 31, 2015

BOARD OF DIRECTORS

<u>Name</u>		<u>Position</u>
Carol May	-	President
Janet Giesselman	-	President Elect
Jason Napoli	-	Treasurer
Marj O'Reilly	-	Secretary
Randi Stroh	-	Member
Cjay Clark	-	Member
John Bruno	-	Member
Donna Rozman	-	Member
Missy Chamberland	-	Member
Cynthia Peatross	-	Member
Joel Benisch	-	Member
Heather Featherman	-	Member
Don Haver	-	Member
Gloria Kern	-	Member
Doris Altman	-	Member
Shelle Carrig	-	Member
Molly Maxwell	-	Member
Robert E. McCarter	-	Member
Ed Schmidt	-	Member
Suzanne Pierson	-	Member
Glen Michel	-	Ex Officio Member
Stephanie Juneau	-	Ex Officio Member
Jennifer Brody	-	Ex Officio Member
Todd Barnes	-	Ex Officio Member
Jenny Birnie	-	Executive Director

HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants

3082 Evergreen Parkway, Suite 2
Evergreen, CO 80439
(303) 694-2727

INDEPENDENT AUDITORS' REPORT

Board of Directors
Center for the Arts, Inc.
Crested Butte, Colorado

We have audited the accompanying statements of financial position of Center for the Arts, Inc. as of October 31, 2015 and 2014, and the related statements of activities, cash flows and program revenues and expenses for the years then ended. These financial statements are the responsibility of Center for the Arts, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for the Arts, Inc. as of October 31, 2015 and 2014, and the changes in its net assets, cash flows and program revenues and expenses for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements that collectively comprise the Center's financial statements. The statement of functional expense is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hamblin and Associates

Hamblin and Associates
Evergreen, Colorado
May 12, 2016

Basic Financial Statements

CENTER FOR THE ARTS, Inc.

STATEMENT OF FINANCIAL POSITION
October 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 48,985	\$ 64,448
Accounts receivable	19,387	-
Other assets	1,218	1,218
Inventory	4,951	4,145
Total Current Assets	74,541	69,811
Property and Equipment -		
Leasehold improvements	662,867	662,867
Furniture and equipment	231,563	199,645
Construction in progress	363,212	-
Accumulated depreciation	(574,383)	(547,944)
Net Property and Equipment	683,259	314,568
Total Assets	\$ 757,800	\$ 384,379
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 22,286	\$ 37,808
Accrued liabilities	3,840	2,817
Line of credit	14,625	13,945
Deferred revenue	6,340	-
Total Current Liabilities	47,091	54,570
Net Assets		
Temporarily restricted net assets	59,561	48,917
Unrestricted net assets	651,148	280,892
Total Net Assets	710,709	329,809
Total Liabilities and Net Assets	\$ 757,800	\$ 384,379

The accompanying notes are an integral part of these financial statements.

CENTER FOR THE ARTS, Inc.

STATEMENT OF ACTIVITIES
Year Ended October 31, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Donations	\$ 273,377	\$ 420,502	\$ 693,879
Program services	507,861	-	507,861
Grants	16,500	-	16,500
Special events and activities	127,341	-	127,341
Cost of sales - special events	(56,325)	-	(56,325)
Sales - bar	68,322	-	68,322
Cost of sales - bar	(34,496)	-	(34,496)
Other	240	-	240
In-kind Contributions	157,252	-	157,252
	<u>1,060,072</u>	<u>420,502</u>	<u>1,480,574</u>
EXPENSES			
Program services	985,047	-	985,047
Management and general	98,140	-	98,140
Fundraising	36,594	-	36,594
Depreciation	26,189	-	26,189
	<u>1,145,970</u>	<u>-</u>	<u>1,145,970</u>
Total Expenses			
	<u>1,145,970</u>	<u>-</u>	<u>1,145,970</u>
Increase (Decrease) in net assets	(85,898)	420,502	334,604
Temporarily restricted net assets			
Assets released from restriction	363,562	(363,562)	-
	<u>363,562</u>	<u>(363,562)</u>	<u>-</u>
Change in Net Assets	277,664	56,940	334,604
Net Assets - Beginning	280,892	48,917	329,809
Change in Estimate - Note E	92,592	(46,296)	46,296
	<u>92,592</u>	<u>(46,296)</u>	<u>46,296</u>
Net Assets - Ending	<u>\$ 651,148</u>	<u>\$ 59,561</u>	<u>\$ 710,709</u>

The accompanying notes are an integral part of these financial statements.

CENTER FOR THE ARTS, Inc.

STATEMENT OF ACTIVITIES
Year Ended October 31, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Donations	\$ 264,310	\$ 201,741	\$ 466,051
Program services	412,752	-	412,752
Grants	14,575	-	14,575
Interest	46	-	46
Special events and activities	112,329	-	112,329
Cost of sales - special events	(56,277)	-	(56,277)
Sales - bar	68,818	-	68,818
Cost of sales - bar	(32,697)	-	(32,697)
Other	945	-	945
In-kind Contributions	141,256	-	141,256
	<u>926,057</u>	<u>201,741</u>	<u>1,127,798</u>
EXPENSES			
Program services	665,093	162,466	827,559
Management and general	241,582	-	241,582
Fundraising	31,621	-	31,621
Depreciation	20,056	-	20,056
	<u>958,352</u>	<u>162,466</u>	<u>1,120,818</u>
Total Expenses			
	<u>958,352</u>	<u>162,466</u>	<u>1,120,818</u>
Increase (Decrease) in net assets	(32,295)	39,275	6,980
Temporarily restricted net assets			
Assets released from restriction	2,060	(2,060)	-
	<u>2,060</u>	<u>(2,060)</u>	<u>-</u>
Change in Net Assets	(30,235)	37,215	6,980
Net Assets - Beginning	311,127	11,702	322,829
	<u>311,127</u>	<u>11,702</u>	<u>322,829</u>
Net Assets - Ending	\$ 280,892	\$ 48,917	\$ 329,809
	<u>\$ 280,892</u>	<u>\$ 48,917</u>	<u>\$ 329,809</u>

The accompanying notes are an integral part of these financial statements.

CENTER FOR THE ARTS, Inc.

STATEMENT OF CASH FLOWS
Year Ended October 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ 334,604	\$ 6,980
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities:		
Depreciation	26,189	20,056
(Increase) Decrease in:		
Accounts receivable	(19,387)	14,541
Inventory	(806)	(117)
Increase (Decrease) in:		
Accounts payable	(15,522)	28,401
Line of credit	680	(1,289)
Accrued liabilities	1,023	(5,011)
Deferred revenue	6,340	-
Net Cash Provided by Operating Activities	333,121	63,561
Cash Flows from Investing Activities:		
Capital asset (acquisition) disposition	(348,584)	(5,322)
Net Increase (Decrease) in Cash and Cash Equivalents	(15,463)	58,239
Cash and Cash Equivalents - Beginning	64,448	6,209
Cash and Cash Equivalents - Ending	\$ 48,985	\$ 64,448

Non cash contributions of facilities use and donated materials amounted to \$157,252 and \$141,256 in October 31, 2015 and 2014 respectively.

The accompanying notes are an integral part of these financial statements.

CENTER FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2015 and 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies for Center for the Arts, Inc. (the Center) is presented to assist in understanding the Center's financial statements. The financial statements and notes are representations of the Center's management, which is responsible for their integrity and objectivity. These accounting policies conform to the generally accepted accounting principles as promulgated by the AICPA Industry Audit and Accounting Guide, Not-for-Profit Organizations.

1. *Nature of Operations*

The Crested Butte Center for the Arts, Inc. (the Center) was incorporated December 26, 1986, as a Colorado nonprofit corporation. The Center's function is to enrich and expand community participation in the arts. The Center is located in Crested Butte, Colorado.

2. *Accounting and Financial Statement Presentation*

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the Center as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted and unrestricted.

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

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Center and/or passage of time.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

3. *Contributions*

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated

CENTER FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2015 and 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. *Contributions* (Continued)

assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified as unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

The Center reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted assets. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Center uses the specific identification method to determine uncollectible unconditional promises receivable. The specific identification is based on management's analysis of specific promises made.

4. *Donated Services, Goods and Facilities*

A substantial number of volunteers have donated time to the Center's program services and fundraising campaigns during the reporting period; however, these donated services are not reflected in the financial statements since the services do not require specialized skills as required for reporting purposes.

Materials and other assets received as donations are recorded and reported in the accompanying financial statements at their fair values at the date of receipt.

5. *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

6. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, the Center considers all highly liquid investment securities, purchased with an original maturity of three months or less, to be cash equivalents. The Center has no cash equivalents as of October 31, 2015 and 2014.

CENTER FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2015 and 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. *Accounts and Contributions Receivable*

Accounts and contributions receivable are deemed to be fully collectible by management and are primarily from tuition, contributions and fees. If an account becomes uncollectible, it is charged to operations where that determination is made.

8. *Investments*

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. The Center had no equity investments at year end.

9. *Concentration of Credit and Market Risk*

Financial instruments that potentially expose the Center to concentrations of credit and market risk consist primarily of cash equivalents, receivables and investments. Cash equivalents are maintained at financial institutions and credit exposure is limited to any one institution. The Center has not experienced and losses on its cash equivalents. Credit risk on receivables is minimized as a result of the diverse nature of the Center's student base. The Center's investments do not represent significant concentrations of credit risk.

10. *Fixed Assets*

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Building	45 years
Building Improvements	45 years
Furniture, Fixtures and Equipment	5 - 15 years

11. *Deferred Revenue/Expense*

Deposits and prepayments are deferred to the year which such amounts are applicable. Deferred revenue and expense are included in the unrestricted net asset class in the accompanying statement of financial position.

CENTER FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2015 and 2014

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. *Income Taxes*

The Center was granted tax-exempt status from federal income taxes by the Internal Revenue Service on May 1, 1987, under Internal Revenue Code Section 501 (c) (3).

13. *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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are based upon management's best estimates, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

14. *Concentration of Credit Risks*

The viability of the Center's operations is completely dependent upon the geographic resort area of the Town of Crested Butte, Colorado.

NOTE B: RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Temporarily restricted assets are for expansion expenses for arts facilities. The amounts were \$59,561 and \$48,917 at October 31, 2015 and 2014, respectively.

CENTER FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2015 and 2014

NOTE C: FIXED ASSETS

Fixed assets are summarized as follows:

	Balance Nov. 1, 2014	Additions	Deletions	Balance Oct. 31, 2015
<u>Fixed assets not being depreciated:</u>				
Construction in progress	\$ -	\$ 363,212	\$ -	\$ 363,212
<u>Fixed assets being depreciated:</u>				
Leasehold improvements	455,774	-	-	455,774
Furniture, fixtures and equipment	199,645	31,918	-	231,563
Gas conversion	12,969	-	-	12,969
Safety improvements	1,700	-	-	1,700
Landscaping	3,815	-	-	3,815
Air lock entry	134,797	-	-	134,797
Information and technology	40,360	-	-	40,360
Ventilation	13,452	-	-	13,452
	<u>862,512</u>	<u>31,918</u>	<u>-</u>	<u>894,430</u>
<u>Less accumulated depreciation:</u>				
Leasehold improvements	(268,767)	(10,089)	-	(278,856)
Furniture, fixtures and equipment	(183,110)	(11,912)	-	(195,022)
Gas conversion	(6,340)	(288)	-	(6,628)
Safety improvements	(832)	(38)	-	(870)
Landscaping	(1,477)	(85)	-	(1,562)
Air lock entry	(43,600)	(2,996)	-	(46,596)
Information and technology	(39,877)	(482)	-	(40,359)
Ventilation	(4,191)	(299)	-	(4,490)
	<u>(548,194)</u>	<u>(26,189)</u>	<u>-</u>	<u>(574,383)</u>
Total accumulated depreciation				
Fixed assets, net	<u>\$ 314,318</u>	<u>\$ 5,729</u>	<u>\$ -</u>	<u>\$ 683,259</u>

CENTER FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

October 31, 2015 and 2014

NOTE C: FIXED ASSETS (Continued)

	Balance Nov. 1, 2013	Additions	Deletions	Balance Oct. 31, 2014
<u>Fixed assets being depreciated:</u>				
Leasehold improvements	\$ 455,774	\$ -	\$ -	\$ 455,774
Furniture, fixtures and equipment	194,128	5,517	-	199,645
Gas conversion	12,969	-	-	12,969
Safety improvements	1,700	-	-	1,700
Landscaping	3,815	-	-	3,815
Air lock entry	134,797	-	-	134,797
Information and technology	40,360	-	-	40,360
Ventilation	13,452	-	-	13,452
Total fixed assets being depreciated:	<u>856,995</u>	<u>5,517</u>	<u>-</u>	<u>862,512</u>
<u>Less accumulated depreciation:</u>				
Leasehold improvements	(258,678)	(10,089)	-	(268,767)
Furniture, fixtures and equipment	(177,081)	(5,779)	-	(182,860)
Gas conversion	(6,052)	(288)	-	(6,340)
Safety improvements	(794)	(38)	-	(832)
Landscaping	(1,392)	(85)	-	(1,477)
Air lock entry	(40,604)	(2,996)	-	(43,600)
Information and technology	(39,395)	(482)	-	(39,877)
Ventilation	(3,892)	(299)	-	(4,191)
Total accumulated depreciation	<u>(527,888)</u>	<u>(20,056)</u>	<u>-</u>	<u>(547,944)</u>
Fixed assets, net	<u>\$ 329,107</u>	<u>\$ (14,539)</u>	<u>\$ -</u>	<u>\$ 314,568</u>

Depreciation expense was \$26,189 and \$20,056 for the years ended October 31, 2015 and 2014, respectively.

NOTE D: SUBSEQUENT EVENTS

The effects of subsequent events that occurred subsequent to period ended October 31, 2015 and through the issuance date of the financial statements have been evaluated. During this period, there have been no material events that would require recognition in the 2015 basic financial statements or disclosures in the Notes to the financial statements.

NOTE E: CHANGE IN ESTIMATE

Some items that were recorded as expense were subsequently reclassified as construction in progress and appear in the Property, Plant, and Equipment category on the Statement of Financial Position (Page 4).

Supplementary Information

**CENTER FOR THE ARTS, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended October 31, 2015

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses				
Salaries and wages	\$ 285,301	\$ 11,321	\$ 26,848	\$ 323,471
Employee benefits	23,238	922	2,187	26,347
Payroll taxes	26,746	1,061	2,517	30,324
Professional fees	-	7,955	-	7,955
Advertising	126,371	-	-	126,371
Office expenses	29,817	67,566	2,090	99,473
Occupancy	115,953	6,234	193	122,380
Travel	10,465	1,833	-	12,298
Depreciation	26,189	-	-	26,189
Insurance	5,553	1,047	-	6,600
Program activities	361,603	-	-	361,603
Expansion	-	200	-	200
Miscellaneous	-	-	2,759	2,759
Total	<u>\$ 1,011,236</u>	<u>\$ 98,140</u>	<u>\$ 36,594</u>	<u>\$ 1,145,970</u>

See the Independent Auditors' Report.

**CENTER FOR THE ARTS, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES**

Year Ended October 31, 2014

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses				
Salaries and wages	\$ 217,844	\$ 8,645	\$ 20,500	\$ 246,989
Employee benefits	17,113	679	1,610	19,403
Payroll taxes	16,734	664	1,575	18,973
Professional fees	-	8,185	-	8,185
Advertising	96,567	-	-	96,567
Office expenses	40,367	49,755	-	90,122
Occupancy	116,377	4,971	-	121,348
Travel	1,910	2,367	-	4,277
Conferences & meetings	-	743	-	743
Depreciation	20,056	-	-	20,056
Insurance	6,617	1,047	-	7,664
Program activities	314,029	-	-	314,029
Expansion	-	164,526	-	164,526
Miscellaneous	-	-	7,936	7,936
Total	<u>\$ 847,615</u>	<u>\$ 241,582</u>	<u>\$ 31,621</u>	<u>\$ 1,120,818</u>

See the Independent Auditors' Report.