

SNOW CITY ARTS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015

SNOW CITY ARTS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Snow City Arts Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Snow City Arts Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, of functional expenses and of cash flows for the year 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.

Auditors' Responsibility

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 from 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 in the first paragraph present fairly, in all material respects, the financial position of Snow City Arts Foundation as of December 31, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - 2014 Financial Statements

The financial statements of Snow City Arts Foundation as of December 31, 2014 were audited by other auditors whose report dated September 1, 2015, expressed an unmodified opinion on those statements.

As part of our audit of the 2015 financial statements, we also audited the adjustments described in Note 9 that were applied to restate the 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of the Foundation other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements as a whole.

Legacy Professionals LLP

Chicago, Illinois

July 22, 2016

SNOW CITY ARTS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|---------------------------------------|--------------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 320,004 | \$ 320,069 |
| Accounts receivable | 13,000 | 10,127 |
| Pledges receivable | 55,892 | 41,350 |
| Prepaid expenses | <u>5,167</u> | <u>3,614</u> |
| Total current assets | 394,063 | 375,160 |
| Pledges receivable - long term | 30,000 | - |
| Property and equipment - net | <u>24,209</u> | <u>21,018</u> |
| Total assets | <u><u>\$ 448,272</u></u> | <u><u>\$ 396,178</u></u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | <u>\$ 6,742</u> | <u>\$ 5,831</u> |
| Net Assets | | |
| Unrestricted net assets | 353,138 | 319,863 |
| Temporarily restricted net assets | <u>88,392</u> | <u>70,484</u> |
| Total net assets | <u>441,530</u> | <u>390,347</u> |
| Total liabilities and net assets | <u><u>\$ 448,272</u></u> | <u><u>\$ 396,178</u></u> |

See accompanying notes to financial statements.

SNOW CITY ARTS FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

| | 2015 | | 2014 | | |
|---|--------------|------------------------|------------|------------------------|------------|
| | Unrestricted | Temporarily Restricted | Total | Temporarily Restricted | Total |
| REVENUE AND OTHER SUPPORT | | | | | |
| Foundation and corporate grants | \$ 224,541 | \$ 62,500 | \$ 287,041 | \$ 51,350 | \$ 332,176 |
| Government grants | 24,000 | 5,000 | 29,000 | - | 40,965 |
| Individual and small business contributions | 28,949 | 15,810 | 44,759 | - | 39,581 |
| Donated office space | 17,032 | - | 17,032 | - | 12,000 |
| Program service fees | 148,440 | - | 148,440 | - | 140,734 |
| Program merchandise sales | 26,594 | - | 26,594 | - | - |
| Special events | | | | | |
| Gross receipts | 201,211 | 5,082 | 206,293 | - | 171,067 |
| Less costs of direct benefits to donors | (41,132) | - | (41,132) | - | (29,618) |
| Miscellaneous income | 3,937 | - | 3,937 | - | 992 |
| Net assets released from restrictions | 70,484 | (70,484) | - | (68,180) | - |
| Total revenue and other support | 704,056 | 17,908 | 721,964 | (16,830) | 707,897 |
| EXPENSES | | | | | |
| Program services | 473,148 | - | 473,148 | - | 481,787 |
| Supporting services | | | | | |
| Management and general | 107,183 | - | 107,183 | - | 82,764 |
| Fundraising | 90,450 | - | 90,450 | - | 74,719 |
| Total expenses | 670,781 | - | 670,781 | - | 639,270 |
| CHANGE IN NET ASSETS | 33,275 | 17,908 | 51,183 | (16,830) | 68,627 |
| NET ASSETS | | | | | |
| Beginning of year - as restated | 319,863 | 70,484 | 390,347 | 87,314 | 321,720 |
| End of year | \$ 353,138 | \$ 88,392 | \$ 441,530 | \$ 70,484 | \$ 390,347 |

See accompanying notes to financial statements.

SNOW CITY ARTS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|-----------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------------|
| Compensation and related expenses | | | | |
| Salaries and wages | \$ 377,684 | \$ 45,415 | \$ 46,348 | \$ 469,447 |
| Payroll taxes | 29,636 | 3,385 | 3,659 | 36,680 |
| Employee benefits | 13,426 | 10,054 | 4,342 | 27,822 |
| | <u>420,746</u> | <u>58,854</u> | <u>54,349</u> | <u>533,949</u> |
| Bad debt | 698 | 169 | 133 | 1,000 |
| Communication | 231 | 139 | 60 | 430 |
| Computer | 4,907 | 208 | 1,395 | 6,510 |
| Depreciation | 4,263 | 790 | 624 | 5,677 |
| Dues and subscriptions | 289 | 1,604 | 43 | 1,936 |
| Exhibit storage | 5,462 | - | - | 5,462 |
| Insurance | 4,845 | 692 | 1,384 | 6,921 |
| Merchandise overhead | 540 | 7,643 | 6,191 | 14,374 |
| Miscellaneous | - | 34 | 4,008 | 4,042 |
| Postage and delivery | 296 | 573 | 2,614 | 3,483 |
| Printing | 2,379 | 847 | 2,291 | 5,517 |
| Professional development | 2,442 | 5,347 | - | 7,789 |
| Professional services | 5,515 | 23,345 | 13,498 | 42,358 |
| Rent - donated | 11,883 | 2,877 | 2,272 | 17,032 |
| Supplies | 7,349 | 3,070 | 556 | 10,975 |
| Travel and meetings | 1,303 | 991 | 1,032 | 3,326 |
| Total expenses | <u>\$ 473,148</u> | <u>\$ 107,183</u> | <u>\$ 90,450</u> | <u>\$ 670,781</u> |

See accompanying notes to financial statements.

SNOW CITY ARTS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

| | Program Services | Management and General | Fundraising | Total Expenses |
|-----------------------------------|---------------------|---------------------------|------------------|-------------------|
| Compensation and related expenses | | | | |
| Salaries and wages | \$ 377,780 | \$ 42,171 | \$ 59,534 | \$ 479,485 |
| Payroll taxes | 29,599 | 3,301 | 4,660 | 37,560 |
| Employee benefits | 21,435 | 2,390 | 3,375 | 27,200 |
| | <u>428,814</u> | <u>47,862</u> | <u>67,569</u> | <u>544,245</u> |
| Communication | 1,654 | 185 | 261 | 2,100 |
| Computer | 2,387 | 173 | - | 2,560 |
| Depreciation | 3,195 | 356 | 503 | 4,054 |
| Dues and subscriptions | 996 | 111 | 157 | 1,264 |
| Exhibit storage | 3,720 | - | - | 3,720 |
| Insurance | 3,943 | 424 | 669 | 5,036 |
| Miscellaneous | 320 | 3,960 | 178 | 4,458 |
| Postage and delivery | 68 | 744 | 2,524 | 3,336 |
| Printing | 2,506 | 3,338 | 796 | 6,640 |
| Professional services | 10,675 | 20,645 | - | 31,320 |
| Rent - donated | 9,456 | 1,055 | 1,489 | 12,000 |
| Supplies | 11,875 | 3,911 | 195 | 15,981 |
| Travel and meetings | 2,178 | - | 378 | 2,556 |
| Total expenses | <u>\$ 481,787</u> | <u>\$ 82,764</u> | <u>\$ 74,719</u> | <u>\$ 639,270</u> |

SNOW CITY ARTS FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 51,183 | \$ 68,627 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 5,677 | 4,054 |
| Changes in assets and liabilities | | |
| Accounts receivable | (2,873) | (3,023) |
| Pledges receivable | (44,542) | (2,800) |
| Prepaid expenses | (1,553) | (3,532) |
| Accounts payable and accrued expenses | 911 | 2,211 |
| Deferred Revenue | <u>-</u> | <u>(7,687)</u> |
| Net cash provided by operating activities | 8,803 | 57,850 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property and equipment | <u>(8,868)</u> | <u>(13,038)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (65) | 44,812 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>320,069</u> | <u>275,257</u> |
| End of year | <u>\$ 320,004</u> | <u>\$ 320,069</u> |

See accompanying notes to financial statements.

SNOW CITY ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1. DESCRIPTION OF THE ORGANIZATION

Snow City Arts Foundation (the Foundation) is an Illinois not-for-profit organization created in 1998 to provide arts education and foster cultural enrichment for the benefit of children in hospitals. The Foundation receives donation from private foundations, corporations, and individuals to fund creative writing, musical visual arts, theater, and filmmaking programs.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Basis of Presentation - To conform to provisions of generally accepted accounting principles, the Foundation is required to report information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted - Unrestricted net assets are available to finance the general operations of the Foundation. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates and the purposes specified in its articles of incorporation.

Temporarily Restricted - Temporarily restricted net assets result (a) from contributions and other inflows of assets, the use of which are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions pursuant to those stipulations. The Foundation had \$88,392 and \$70,484 of temporarily restricted net assets due to time and purpose restrictions, as of December 31, 2015 and 2014.

Permanently Restricted - Permanently restricted net assets (generally referred to as endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the Foundation to expend part or all of the income or other economic benefits derived from the donated assets. There were no permanently restricted net assets as of December 31, 2015 and 2014.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted and Restricted Revenue and Support - Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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 statements of activities as net assets released from restrictions. Restricted contributions with restrictions met in the current period are recorded as unrestricted.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Accounts Receivable - Accounts receivable primarily consists of amounts due from hospitals for services delivered by the Foundation. The Foundation considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Pledges Receivable - Unconditional promises to give are recognized as revenue in the period that the promises are received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges receivable may contain amounts that will be collected over a period longer than one year. No estimate for the present value of these amounts has been made, as the discount would be immaterial. The Foundation considers pledges receivable to be fully collectible; accordingly no allowance for doubtful accounts is necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment -Property and equipment are carried at cost if purchased or fair value at time of donation for donated items. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed by the straight-line method over the following estimated useful lives of the related assets:

| | |
|-------------------------------|--------------|
| Office equipment and software | 5 - 10 years |
| Website development | 5 years |

Depreciation expense was \$5,677 and \$4,054 for the year ended December 31, 2015 and 2014, respectively.

In-Kind Contributions - In-kind contributions are recorded at fair value at the date of the donation and include use of facilities. The value of in-kind contributions is reflected in the financial statements at the fair market value estimated by the donor. These contributions have been presented in the financial statements as support with an equal amount shown as expense.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized in the statements of activities. Costs are allocated among the programs and supporting services benefitted on bases determined by management.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to prior year amounts to conform to the prior year presentation.

Subsequent Events - Subsequent events have been evaluated through July 22, 2016, which is the date the financial statements were available to be issued.

NOTE 3. TAX STATUS

The Foundation has been advised by the Internal Revenue Service that it is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws. The Foundation is not considered to be a private foundation under Section 509(c) of the Internal Revenue Code.

The Foundation files Form 990, *Return of Organization Exempt from Income Tax*, which is subject to examination by the Internal Revenue Service until the applicable statute of limitations expires.

NOTE 4. CONCENTRATIONS OF CREDIT RISK

Cash consists of petty cash on hand and monies held in checking accounts without significant withdrawal restrictions. The Foundation places its cash deposits with financial institutions deemed to be creditworthy. Balances are insured by FDIC up to \$250,000 per financial institution. Balances may at times exceed insured limits. Management believes this credit risk to be minimal.

NOTE 5. EMPLOYEE BENEFIT PLAN

The Foundation maintains a Savings Incentive Match for Employees (SIMPLE) IRA Plan for the benefit of salaried and hourly employees. The Foundation will match employee contributions up to 3% of salary for eligible employees. The Foundation made contributions to the plan of \$8,828 and \$9,645 during the years ended December 31, 2015 and 2014, respectively.

NOTE 6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|
| Pledges receivable in less than one year | \$ 55,892 | \$ 41,350 |
| Pledges receivable in one to five years | <u>30,000</u> | <u>-</u> |
| Pledges receivable | <u>\$ 85,892</u> | <u>\$ 41,350</u> |

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 and 2014 consisted of the following:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|------------------|------------------|
| Office equipment and software | \$ 36,183 | \$ 33,535 |
| Website development | <u>6,219</u> | <u>-</u> |
| Total | 42,402 | 33,535 |
| Less accumulated depreciation | <u>(18,193)</u> | <u>(12,517)</u> |
| Net property and equipment | <u>\$ 24,209</u> | <u>\$ 21,018</u> |

Website development represents an externally developed website platform not yet placed into service.

NOTE 8. DONATED FACILITIES

The Foundation leases office space at no charge from the Rush University Medical Center. The Foundation also occasionally uses office space at no charge from the Lurie Children's Hospital. For the years ended December 31, 2015 and 2014, the estimated fair market value of the total donated office space was \$17,032 and \$12,000.

NOTE 9. PRIOR PERIOD RESTATEMENT

Unrestricted net assets for the year ended December 31, 2014 and the changes in unrestricted net assets for the year ended as of December 31, 2014 were restated to correct amounts previously reported, as follows:

| | Change in Unrestricted <u>Net Assets</u> | Unrestricted <u>Net Assets</u> |
|--|--|-----------------------------------|
| Previously reported at December 31, 2014 | \$ 78,920 | \$ 313,326 |
| Adjustment of prepaid expenses | 2,037 | 2,037 |
| Adjustment of property and equipment - net | <u>4,500</u> | <u>4,500</u> |
| As restated at December 31, 2014 | <u>\$ 85,457</u> | <u>\$ 319,863</u> |