

SNOW CITY ARTS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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DECEMBER 31, 2016 AND 2015

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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 statements of financial position as of December 31, 2016 and 2015 and the related statements of activities, of functional expenses and of 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.

Auditors' 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 audits 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, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Legacy Professionals LLP

Chicago, Illinois

July 21, 2017

SNOW CITY ARTS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 441,376	\$ 320,004
Accounts receivable	-	13,000
Pledges receivable	61,350	55,892
Prepaid expenses	<u>1,496</u>	<u>5,167</u>
Total current assets	504,222	394,063
Pledges receivable - long term	-	30,000
Property and equipment - net	<u>29,802</u>	<u>24,209</u>
Total assets	<u><u>\$ 534,024</u></u>	<u><u>\$ 448,272</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 16,817</u>	<u>\$ 6,742</u>
Net Assets		
Unrestricted net assets	387,357	353,138
Temporarily restricted net assets	<u>129,850</u>	<u>88,392</u>
Total net assets	<u>517,207</u>	<u>441,530</u>
Total liabilities and net assets	<u><u>\$ 534,024</u></u>	<u><u>\$ 448,272</u></u>

See accompanying notes to financial statements.

SNOW CITY ARTS FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT						
Foundation and corporate grants	\$ 199,723	\$ 115,200	\$ 314,923	\$ 224,541	\$ 62,500	\$ 287,041
Government grants	18,750	17,150	35,900	24,000	5,000	29,000
Individual and small business contributions	73,794	10,372	84,166	28,949	15,810	44,759
Donated office space	19,032	-	19,032	17,032	-	17,032
Donated professional services	37,250	-	37,250	-	-	-
Program service fees	146,396	-	146,396	148,440	-	148,440
Program merchandise sales	23,473	-	23,473	26,594	-	26,594
Special events						
Gross receipts	208,833	-	208,833	201,211	5,082	206,293
Less costs of direct benefits to donors	(40,259)	-	(40,259)	(41,132)	-	(41,132)
Miscellaneous income	4,142	-	4,142	3,937	-	3,937
Net assets released from restrictions	101,264	(101,264)	-	70,484	(70,484)	-
Total revenue and other support	<u>792,398</u>	<u>41,458</u>	<u>833,856</u>	<u>704,056</u>	<u>17,908</u>	<u>721,964</u>
EXPENSES						
Program services	516,711	-	516,711	473,148	-	473,148
Supporting services						
Management and general	108,224	-	108,224	107,183	-	107,183
Fundraising	133,244	-	133,244	90,450	-	90,450
Total expenses	<u>758,179</u>	<u>-</u>	<u>758,179</u>	<u>670,781</u>	<u>-</u>	<u>670,781</u>
CHANGE IN NET ASSETS						
	34,219	41,458	75,677	33,275	17,908	51,183
NET ASSETS						
Beginning of year	353,138	88,392	441,530	319,863	70,484	390,347
End of year	<u>\$ 387,357</u>	<u>\$ 129,850</u>	<u>\$ 517,207</u>	<u>\$ 353,138</u>	<u>\$ 88,392</u>	<u>\$ 441,530</u>

See accompanying notes to financial statements.

SNOW CITY ARTS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Compensation and related expenses				
Salaries and wages	\$ 359,357	\$ 44,815	\$ 86,457	\$ 490,629
Payroll taxes	29,987	3,594	6,855	40,436
Employee benefits	<u>13,973</u>	<u>9,720</u>	<u>6,453</u>	<u>30,146</u>
	403,317	58,129	99,765	561,211
Communication	183	233	1,109	1,525
Computer	8,587	509	849	9,945
Depreciation	4,880	1,023	1,258	7,161
Dues and subscriptions	976	265	72	1,313
Exhibit storage	3,849	-	-	3,849
Insurance	-	6,816	-	6,816
Merchandise overhead	12,113	-	2,294	14,407
Miscellaneous	346	1,561	5,566	7,473
Postage and delivery	536	883	3,288	4,707
Printing	1,746	669	2,550	4,965
Professional development	1,484	845	46	2,375
Professional services	21,997	26,418	2,850	51,265
Professional services - donated	25,387	5,317	6,546	37,250
Rent - donated	12,971	2,716	3,345	19,032
Supplies	14,870	2,436	2,195	19,501
Travel and meetings	<u>3,469</u>	<u>404</u>	<u>1,511</u>	<u>5,384</u>
Total expenses	<u>\$ 516,711</u>	<u>\$ 108,224</u>	<u>\$ 133,244</u>	<u>\$ 758,179</u>

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	<u>13,426</u>	<u>10,054</u>	<u>4,342</u>	<u>27,822</u>
	420,746	58,854	54,349	533,949
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	<u>1,303</u>	<u>991</u>	<u>1,032</u>	<u>3,326</u>
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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 75,677	\$ 51,183
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,161	5,677
Changes in assets and liabilities		
Accounts receivable	13,000	(2,873)
Pledges receivable	24,542	(44,542)
Prepaid expenses	3,671	(1,553)
Accounts payable and accrued expenses	<u>10,075</u>	<u>911</u>
Net cash provided by operating activities	134,126	8,803
 CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	<u>(12,754)</u>	<u>(8,868)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	121,372	(65)
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>320,004</u>	<u>320,069</u>
End of year	<u>\$ 441,376</u>	<u>\$ 320,004</u>

See accompanying notes to financial statements.

SNOW CITY ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 \$129,850 and \$88,392 of temporarily restricted net assets due to time and purpose restrictions, as of December 31, 2016 and 2015, respectively.

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, 2016 and 2015.

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 \$7,161 and \$5,677 for the years ended December 31, 2016 and 2015, 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.

Subsequent Events - Subsequent events have been evaluated through July 21, 2017, 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 \$10,159 and \$8,828 during the years ended December 31, 2016 and 2015, respectively.

NOTE 6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Pledges receivable in less than one year	\$ 61,350	\$ 55,892
Pledges receivable in one to five years	<u>-</u>	<u>30,000</u>
Pledges receivable	<u>\$ 61,350</u>	<u>\$ 85,892</u>

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Office equipment and software	\$ 48,375	\$ 36,183
Website development	<u>6,781</u>	<u>6,219</u>
Total	55,156	42,402
Less accumulated depreciation	<u>(25,354)</u>	<u>(18,193)</u>
Net property and equipment	<u>\$ 29,802</u>	<u>\$ 24,209</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, 2016 and 2015, the estimated fair market value of the total donated office space was \$19,032 and \$17,032 respectively. During the year ended December 31, 2016 the Foundation also received professional services at no charge that was valued at \$37,250.

NOTE 9. SUBSEQUENT EVENT

Subsequent to year end, the Foundation contracted with an additional hospital. The expansion of the program will educate over 200 art students and earn \$148,300 in program service revenue.