

SNOW CITY ARTS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016 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, 2017 and 2016, 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

Westchester, Illinois

August 6, 2018

SNOW CITY ARTS FOUNDATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 538,708	\$ 441,376
Accounts receivable	3,500	-
Pledges receivable	65,587	61,350
Prepaid expenses	4,903	1,496
Total current assets	612,698	504,222
Property and equipment - net	21,928	29,802
Total assets	\$ 634,626	\$ 534,024
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 29,434	\$ 16,817
NET ASSETS		
Unrestricted net assets		
Undesignated	417,109	387,357
Memorial Fund	8,996	-
	426,105	387,357
Temporarily restricted net assets	179,087	129,850
Total net assets	605,192	517,207
Total liabilities and net assets	\$ 634,626	\$ 534,024

See accompanying notes to financial statements.

SNOW CITY ARTS FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT						
Foundation and corporate grants	\$ 197,147	\$ 148,987	\$ 346,134	\$ 199,723	\$ 115,200	\$ 314,923
Government grants	15,000	30,100	45,100	18,750	17,150	35,900
Individual and small business contributions	91,277	-	91,277	73,794	10,372	84,166
Donated office space	22,032	-	22,032	19,032	-	19,032
Donated professional services	41,550	-	41,550	37,250	-	37,250
Program service fees	296,941	-	296,941	146,396	-	146,396
Program merchandise sales	43,968	-	43,968	23,473	-	23,473
Special events						
Gross receipts	202,852	-	202,852	208,833	-	208,833
Less costs of direct benefits to donors	(51,157)	-	(51,157)	(40,259)	-	(40,259)
Miscellaneous income	3,203	-	3,203	4,142	-	4,142
Net assets released from restrictions	129,850	(129,850)	-	101,264	(101,264)	-
Total revenue and other support	<u>992,663</u>	<u>49,237</u>	<u>1,041,900</u>	<u>792,398</u>	<u>41,458</u>	<u>833,856</u>
EXPENSES						
Program services	693,332	-	693,332	516,711	-	516,711
Supporting services						
Management and general	107,831	-	107,831	108,224	-	108,224
Fundraising	152,752	-	152,752	133,244	-	133,244
Total expenses	<u>953,915</u>	<u>-</u>	<u>953,915</u>	<u>758,179</u>	<u>-</u>	<u>758,179</u>
CHANGE IN NET ASSETS	38,748	49,237	87,985	34,219	41,458	75,677
NET ASSETS						
Beginning 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>
End of year	<u>\$ 426,105</u>	<u>\$ 179,087</u>	<u>\$ 605,192</u>	<u>\$ 387,357</u>	<u>\$ 129,850</u>	<u>\$ 517,207</u>

See accompanying notes to financial statements.

SNOW CITY ARTS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Compensation and related expenses				
Salaries and wages	\$ 458,779	\$ 40,099	\$ 100,847	\$ 599,725
Payroll taxes	40,581	4,563	7,985	53,129
Employee benefits	<u>15,987</u>	<u>7,788</u>	<u>4,612</u>	<u>28,387</u>
	515,347	52,450	113,444	681,241
Communication	565	390	-	955
Computer	17,905	3,172	1,563	22,640
Depreciation	5,992	3,173	1,320	10,485
Dues and subscriptions	2,007	598	962	3,567
Exhibit storage	3,382	-	-	3,382
Insurance	-	9,646	-	9,646
Merchandise overhead	17,655	-	392	18,047
Miscellaneous	228	329	6,235	6,792
Postage and delivery	782	542	2,485	3,809
Printing	1,149	1,221	1,017	3,387
Professional development	15,391	495	-	15,886
Professional services	41,357	25,727	13,236	80,320
Professional services - donated	30,271	4,610	6,669	41,550
Rent - donated	16,052	2,444	3,536	22,032
Supplies	18,359	2,646	1,230	22,235
Travel and meetings	<u>6,890</u>	<u>388</u>	<u>663</u>	<u>7,941</u>
Total expenses	<u>\$ 693,332</u>	<u>\$ 107,831</u>	<u>\$ 152,752</u>	<u>\$ 953,915</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	13,973	9,720	6,453	30,146
	<u>403,317</u>	<u>58,129</u>	<u>99,765</u>	<u>561,211</u>
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	3,469	404	1,511	5,384
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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 87,985	\$ 75,677
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	10,485	7,161
Changes in assets and liabilities		
Accounts receivable	(3,500)	13,000
Pledges receivable	(4,237)	24,542
Prepaid expenses	(3,407)	3,671
Accounts payable and accrued expenses	<u>12,617</u>	<u>10,075</u>
Net cash provided by operating activities	99,943	134,126
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	<u>(2,611)</u>	<u>(12,754)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,332	121,372
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>441,376</u>	<u>320,004</u>
End of year	<u>\$ 538,708</u>	<u>\$ 441,376</u>

See accompanying notes to financial statements.

SNOW CITY ARTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1. DESCRIPTION OF THE ORGANIZATION

Snow City Arts Foundation (the Foundation) is an Illinois not-for-profit organization established in 1998 to provide arts education and foster cultural enrichment for the benefit of children in hospitals. The Foundation receives donations 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 \$179,087 and \$129,850 of temporarily restricted net assets due to time and purpose restrictions, as of December 31, 2017 and 2016, 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, 2017 and 2016.

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 \$10,485 and \$7,161 for the years ended December 31, 2017 and 2016, 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.

Memorial Fund – This program was established in memory of a Foundation volunteer to be used to further the Foundation’s mission.

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 August 6, 2018, 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.

Accounting principles generally accepted in the United States of America require the Foundation to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by tax authorities. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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 \$12,489 and \$10,159 during the years ended December 31, 2017 and 2016, respectively.

NOTE 6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Pledges receivable in less than one year	<u>\$ 65,587</u>	<u>\$ 61,350</u>

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Office equipment and software	\$ 50,985	\$ 48,375
Website development	<u>6,781</u>	<u>6,781</u>
Total	57,766	55,156
Less accumulated depreciation	<u>(35,838)</u>	<u>(25,354)</u>
Net property and equipment	<u>\$ 21,928</u>	<u>\$ 29,802</u>

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, 2017 and 2016, the estimated fair market value of the total donated office space was \$22,032 and \$19,032 respectively. During the years ended December 31, 2017 and 2016, the Foundation also received professional services at no charge that was valued at \$41,550 and \$37,250 respectively.

NOTE 9. LINE OF CREDIT

The Organization opened a demand line of credit in September 2017. Maximum borrowings on the line are \$50,000. The line is not subject to review and can be utilized until September 18, 2018. The line bears an interest of 5.74%. The balance outstanding on the line of credit was \$0 at December 31, 2017.