

**SNOW CITY ARTS FOUNDATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

# SNOW CITY ARTS FOUNDATION

## FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017 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 Foundation'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 Foundation'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, 2018 and 2017, 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.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, Snow City Arts Foundation implemented new accounting guidance that updates the understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Our opinion is not modified with respect to this matter.

*Legacy Professionals LLP*

Westchester, Illinois

July 17, 2019

**SNOW CITY ARTS FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 600,729	\$ 538,708
Accounts receivable	-	3,500
Pledges receivable	98,942	65,587
Prepaid expenses	<u>2,856</u>	<u>4,903</u>
Total current assets	702,527	612,698
Property and equipment - net	<u>15,666</u>	<u>21,928</u>
Total assets	<u><u>\$ 718,193</u></u>	<u><u>\$ 634,626</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	<u>\$ 20,360</u>	<u>\$ 29,434</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	575,438	417,109
Memorial Fund	<u>23,453</u>	<u>8,996</u>
Total without donor restrictions	598,891	426,105
With donor restrictions	<u>98,942</u>	<u>179,087</u>
Total net assets	<u><u>697,833</u></u>	<u><u>605,192</u></u>
Total liabilities and net assets	<u><u>\$ 718,193</u></u>	<u><u>\$ 634,626</u></u>

See accompanying notes to financial statements.

**SNOW CITY ARTS FOUNDATION**

**STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>						
Foundation and corporate grants	\$ 147,576	\$ 204,239	\$ 351,815	\$ 197,147	\$ 148,987	\$ 346,134
Government grants	-	63,100	63,100	15,000	30,100	45,100
Individual and small business contributions	75,182	2,000	77,182	91,277	-	91,277
Donated office space	31,032	-	31,032	22,032	-	22,032
Donated professional services	16,650	-	16,650	41,550	-	41,550
Program service fees	291,852	-	291,852	296,941	-	296,941
Program merchandise sales	52,256	-	52,256	43,968	-	43,968
Special events						
Gross receipts	193,899	-	193,899	202,852	-	202,852
Less costs of direct benefits to donors	(57,376)	-	(57,376)	(51,157)	-	(51,157)
Miscellaneous income	4,842	-	4,842	3,203	-	3,203
Satisfaction of program restrictions	349,484	(349,484)	-	129,850	(129,850)	-
Total revenue and other support	<u>1,105,397</u>	<u>(80,145)</u>	<u>1,025,252</u>	<u>992,663</u>	<u>49,237</u>	<u>1,041,900</u>
<b>EXPENSES</b>						
Program services	660,436	-	660,436	693,332	-	693,332
Supporting services						
Management and general	114,323	-	114,323	107,831	-	107,831
Fundraising	157,852	-	157,852	152,752	-	152,752
Total expenses	<u>932,611</u>	<u>-</u>	<u>932,611</u>	<u>953,915</u>	<u>-</u>	<u>953,915</u>
CHANGE IN NET ASSETS	172,786	(80,145)	92,641	38,748	49,237	87,985
<b>NET ASSETS</b>						
Beginning of year	426,105	179,087	605,192	387,357	129,850	517,207
End of year	<u>\$ 598,891</u>	<u>\$ 98,942</u>	<u>\$ 697,833</u>	<u>\$ 426,105</u>	<u>\$ 179,087</u>	<u>\$ 605,192</u>

See accompanying notes to financial statements.

**SNOW CITY ARTS FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Compensation and related expenses				
Salaries and wages	\$ 446,269	\$ 48,147	\$ 98,846	\$ 593,262
Payroll taxes	39,584	3,945	8,321	51,850
Employee benefits	<u>28,023</u>	<u>7,401</u>	<u>5,247</u>	<u>40,671</u>
	513,876	59,493	112,414	685,783
Communication	544	469	114	1,127
Computer	17,356	1,365	3,514	22,235
Cost of direct benefit to donors	-	-	57,376	57,376
Depreciation	6,901	1,195	1,649	9,745
Dues and subscriptions	1,383	912	50	2,345
Exhibit storage	3,416	-	-	3,416
Insurance	-	7,829	-	7,829
Merchandise overhead	22,717	178	376	23,271
Miscellaneous	305	416	6,876	7,597
Postage and delivery	370	1,150	2,311	3,831
Printing	3,707	735	2,674	7,116
Professional development	6,328	117	256	6,701
Professional services	34,188	29,154	17,401	80,743
Professional services - donated	11,791	2,041	2,818	16,650
Rent - donated	21,975	3,805	5,252	31,032
Supplies	8,911	4,683	432	14,026
Travel and meetings	<u>6,668</u>	<u>781</u>	<u>1,715</u>	<u>9,164</u>
Total expenses by function	660,436	114,323	215,228	989,987
Less cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>(57,376)</u>	<u>(57,376)</u>
Total expenses on statement of activities	<u>\$ 660,436</u>	<u>\$ 114,323</u>	<u>\$ 157,852</u>	<u>\$ 932,611</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
Cost of direct benefit to donors	-	-	51,157	51,157
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 by function	693,332	107,831	203,909	1,005,072
Less cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>(51,157)</u>	<u>(51,157)</u>
Total expenses on statement of activities	<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

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 92,641	\$ 87,985
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,745	10,485
Changes in assets and liabilities		
Accounts receivable	3,500	(3,500)
Pledges receivable	(33,355)	(4,237)
Prepaid expenses	2,047	(3,407)
Accounts payable and accrued expenses	<u>(9,074)</u>	<u>12,617</u>
Net cash provided by operating activities	65,504	99,943
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	<u>(3,483)</u>	<u>(2,611)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,021	97,332
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>538,708</u>	<u>441,376</u>
End of year	<u>\$ 600,729</u>	<u>\$ 538,708</u>

See accompanying notes to financial statements.

# SNOW CITY ARTS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

### 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.

**New Accounting Pronouncements** - In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which was effective for the Foundation's financial statements for the year ended December 31, 2018. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented and the presentation in these financial statements has been adjusted accordingly.

**Basis of Presentation** - In order to conform to provisions of generally accepted accounting principles, the Foundation, as a not-for-profit entity, is required to report information regarding its financial position and activities in two classes of net assets: without donor restriction and with donor restriction.

**Net Assets without Donor Restrictions** - Net assets that are not subject to donor-imposed restrictions and available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restriction 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.

**Net Assets with Donor Restrictions** - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At December 31, 2018 and 2017, the Foundation does not have any perpetual donor restrictions.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue** - Contributions received are recorded without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. When a time restriction expires or purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

**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 \$9,745 and \$10,485 for the years ended December 31, 2018 and 2017, 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)**

**Allocation of Costs** - The costs of providing various program and supporting services have been summarized on a functional basis in the statements of functional expenses. Some expenses incurred support the work performed under more than one grant or contract. These common expenses are allocated among the various programs as agreed upon by the funding sources or, in the absence of an agreement, on the basis of time spent, square footage or the purpose which appears most appropriate to the Foundation.

**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 17, 2019, which is the date the financial statements were available to be issued.

**NOTE 3. LIQUIDITY AND AVAILABILITY**

Snow City Arts has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. The organization has a policy to target a year-end balance of reserves of undesignated net assets to meet three months of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2018 and 2017, the level of liquidity and reserves was managed within the policy requirements.

Financial assets available for general expenditure within one year at December 31, 2018 and 2017 comprise the following:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Total cash	\$ 600,729	\$ 538,708
Total receivables	<u>98,942</u>	<u>69,087</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 699,671</u>	<u>\$ 607,795</u>

**NOTE 4. 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 5. 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 6. 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 \$11,921 and \$12,489 during the years ended December 31, 2018 and 2017, respectively.

**NOTE 7. PLEDGES RECEIVABLE**

Pledges receivable consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Pledges receivable in less than one year	<u>\$ 98,942</u>	<u>\$ 65,587</u>

**NOTE 8. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Office equipment and software	\$ 54,469	\$ 50,985
Website development	<u>6,781</u>	<u>6,781</u>
Total	61,250	57,766
Less accumulated depreciation	<u>(45,584)</u>	<u>(35,838)</u>
Net property and equipment	<u>\$ 15,666</u>	<u>\$ 21,928</u>

**NOTE 9. 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, 2018 and 2017, the estimated fair market value of the total donated office space was \$31,032 and \$22,032 respectively. During the years ended December 31, 2018 and 2017, the Foundation also received professional services at no charge that was valued at \$16,650 and \$41,550 respectively.

**NOTE 10. LINE OF CREDIT**

The Organization renewed their demand line of credit in September 2018. Maximum borrowings on the line are \$50,000. The line is not subject to review and can be utilized until January 16, 2020. The line bears a variable interest which is subject to change. The balance outstanding on the line of credit was \$0 at December 31, 2018.

**NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to the passage of time:		
Promises to give that are unavailable for expenditure until received	\$ 98,942	\$ 65,587
Subject to expenditure for a specified purpose:		
Educational programs	<u>-</u>	<u>113,500</u>
Total net assets with donor restrictions	<u>\$ 98,942</u>	<u>\$ 179,087</u>