

**MT. CRESTED BUTTE  
PERFORMING ARTS CENTER  
(A Development Stage Enterprise)**

**FINANCIAL STATEMENTS**

**December 31, 2011**

**MT. CRESTED BUTTE  
PERFORMING ARTS CENTER**

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**December 31, 2011**

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**MT. CRESTED BUTTE  
PERFORMING ARTS CENTER**

**December 31, 2011**

**BOARD OF DIRECTORS**

**Tom Seymour and Tom Biery - Office of the President**

**William Buck - Chair**

**Gary Keiser - Treasurer**

**Danek Bienkowski -Secretary**

**Allen Cox - Town of Mt. Crested Butte**

**Jay Helman - At Large**

**Tim Mueller - At Large**

**Seth Novatt - Crested Butte Music Festival**

**Paul Witt - Crested Butte Music Festival**

**Kathleen Curry - Executive Director**

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Mt. Crested Butte Performing Arts Center  
Crested Butte, Colorado

We have audited the accompanying statement of financial position of Mt. Crested Butte Performing Arts Center as of December 31, 2011, and the related statements of activities and cash flows for the 11-month period then ended. These financial statements are the responsibility of Mt. Crested Butte Performing Arts Center. 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 Mt. Crested Butte Performing Arts Center as of December 31, 2011, and the changes in its net assets and cash flows for the 11-month period then ended, in conformity with accounting principles generally accepted in the United States of America.

*Johnson and Associates*

Centennial, Colorado  
June 30, 2012

## **Basic Financial Statements**

**MT. CRESTED BUTTE PERFORMING ARTS CENTER**  
**(A Development Stage Enterprise)**

**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011**

Assets	
Current Assets	
Cash	\$ 217,218
Money market	160,442
Pledges receivable	<u>94,000</u>
Total Current Assets	<u>471,660</u>
Property	
Performing Arts Center- Building design	144,788
PUD costs	<u>102,074</u>
Total Property	<u>246,862</u>
Long Term Assets	
Commitments from Town	5,754,945
Pledges receivable (less allowance of \$10,000)	<u>167,000</u>
Total Long Term Assets	<u>5,921,945</u>
Total Assets	<u><u>\$ 6,640,467</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 2,121
Accrued payroll liabilities	<u>3,426</u>
Total Current Liabilities	<u>5,547</u>
Unrestricted net assets	<u>6,634,920</u>
Total Liabilities and Net Assets	<u><u>\$ 6,640,467</u></u>

The notes to the financial statements are an integral part of this statement.

**MT. CRESTED BUTTE PERFORMING ARTS CENTER**  
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**STATEMENTS OF ACTIVITIES**  
**Cumulative for the Period from**  
**Inception (February 1, 2011) through December 31, 2011**

	<u>Unrestricted</u>
<b>SUPPORT AND REVENUE</b>	
Pledges and contributions	\$ 6,564,430
Interest	1,717
In-kind Contributions	456,986
Total Support and Revenue	7,023,133
<b>EXPENSES</b>	
Organization	119,889
Payroll and taxes	76,582
Office expenses	17,408
Travel	1,429
Insurance	3,629
Campaign council	106,828
Marketing	42,336
Events	5,228
Legal	12,579
Accounting services	1,365
Other	940
Total Expenses	388,213
Increase (Decrease) in unrestricted net assets	6,634,920
Change in Net Assets	6,634,920
Net Assets - Beginning	-
Net Assets - Ending	\$ 6,634,920

The notes to the financial statements are an integral part of this statement.

**MT. CRESTED BUTTE PERFORMING ARTS CENTER  
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**STATEMENT OF CASH FLOWS  
Cumulative for the Period from  
Inception (February 1, 2011) through December 31, 2011**

Cash Flows from Operating Activities	
Increase in unrestricted net assets	\$ 6,634,920
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities:	
Noncash contributions of assets	(5,754,945)
Increase in pledges receivable	(261,000)
Increase in:	
Accounts payable	2,121
Accrued liabilities	3,426
	<hr/>
Net Cash Provided by Operating Activities	624,522
	<hr/>
Cash Flows from Investing Activities:	
Capital asset acquisition	(246,862)
	<hr/>
Net Increase in Cash and Cash Equivalents	377,660
Cash and Cash Equivalents - Beginning	<hr/> -
Cash and Cash Equivalents - Ending	<hr/> <u>\$ 377,660</u>

The notes to the financial statements are an integral part of this statement.

**MT.CRESTED BUTTE PERFORMING ARTS CENTER**  
**(A Development Stage Enterprise)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies for Mt. Crested Butte Performing Arts Center (MCBPAC) is presented to assist in understanding MCBPAC's financial statements. The financial statements and notes are representations of MCBPAC'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 entities.

**1. *Nature of Operations***

The Mt. Crested Butte Performing Arts Center was formed 2009, received 501(c)(3) status in December 2010, and went into development in February 2011. MCBPAC's development function is to build a 400-500 seat professional quality performance hall in Mt. Crested Butte, Colorado. Development activity has included obtaining land use approvals, developing the building design and project estimates and initiating a capital campaign. Prior to February 2011, these activities were conducted by the Town of Mt. Crested Butte and the Crested Butte Musical Festival. Land for the performance hall is being contributed by the Town of Mt. Crested Butte and the Crested Butte Mountain Resort (CBMR).

MCBPAC is currently in the development phase of construction of the facility. Correspondingly, the costs that are associated with the construction of the facility are capitalized as part of the facility. The remaining costs are treated as development stage costs and therefore, expensed in the period incurred.

**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 MCBPAC 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.

At December 31, 2011, MCBPAC had no temporarily or permanently restricted net assets.

**MT. CRESTED BUTTE PERFORMING ARTS CENTER**  
**(A Development Stage Enterprise)**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2011

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**3. Contributions**

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

MCBPAC 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, MCBPAC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**4. Donated Services, Goods and Facilities**

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. Cash and Cash Equivalents**

For purposes of the statement of cash flows, MCBPAC considers all highly liquid investment securities, purchased with an original maturity of three months or less, to be cash equivalents. MCBPAC has no cash equivalents as of December 31, 2011.

**6. Pledges Receivable**

Pledges receivable are deemed to be fully collectible by management. If a pledge becomes uncollectible, it is charged to operations when that determination is made. The allowance for uncollectible pledges was set at 3.5 percent of pledges receivable, based on industry standards.

**MT. CRESTED BUTTE PERFORMING ARTS CENTER**  
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**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

***7. Income Taxes***

The Mount Crested Butte Performing Arts Center was granted tax-exempt status from federal income taxes by the Internal Revenue Service on December 2, 2010, under Internal Revenue Code Section 501 (c) (3).

MCBPAC adopted the provisions of ASC 740-10-25, pertaining to accounting for uncertainty in income taxes. This pronouncement requires the use of a more-likely-than-not recognition criteria before and separate from the measurement of a tax position. An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Management has determined the effects of uncertain tax positions are not material to the Organization for recognition or disclosure in the accompanying financial statements and, accordingly, no income tax liability has been recorded for uncertain income tax positions in the accompanying financial statements.

Management has evaluated the adopted policies and procedures that have been implemented to provide assurance that income is properly characterized and activities that jeopardize its tax exempt status are within limits established under existing tax code and regulations. Management has determined the effects of uncertain tax positions are not material to MCBPAC for recognition or disclosure in the accompanying financial statements and, accordingly, no income tax liability has been recorded for uncertain income tax positions in the accompanying financial statements.

All income tax years open for examination are subject to taxation at corporate tax rates. Additionally, penalties and interest may be assessed on income taxes that are delinquent. The assessment of uncertain income taxes is subject to estimate, and it is reasonably possible that the estimate may change in the near term and the change may be material.

**MT. CRESTED BUTTE PERFORMING ARTS CENTER  
(A Development Stage Enterprise)**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2011

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**8. 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 the management's best estimates, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

**NOTE B: CAPITAL ASSETS**

The Town of Mt. Crested Butte commitment receivable is the balance of \$6,000,000 from the Mt. Crested Butte Downtown Development Authority (DDA). The DDA is a Tax Increment Financing District within the Town, including the Performing Arts Center (PAC) location. The DDA receives incremental property taxes and sales taxes generated from within the DDA boundaries. Expenditures by the DDA related to the PAC of \$245,055 have been applied to the commitment.

**NOTE C: IN KIND CONTRIBUTIONS**

The DDA made expenditures related to the PAC of \$40,318 in 2009, \$195,974 in 2010 and \$8,763 in 2011. The Crested Butte Music Festival made expenditures related to the PAC of \$206,411 in 2009 and 2010. These expenditures were for organizing MCBPAC, a feasibility study, preliminary building design costs, and planned unit development zoning and land use design work including the Town's rezoning process expenses. These in-kind contributions and expenditures have been recorded in the 2011 financial statements.

**NOTE D: SUBSEQUENT EVENTS**

On December 6, 2011, CBMR contributed 0.84 acres of land to the Town of Mt. Crested Butte. On January 13, 2012, MCBPAC signed a 49 year lease agreement with the Town for 1.81 acres of land including the parcel contributed by CBMR. The land under lease is located in the resort base area and is to be the location of the PAC. The land leasehold has been valued at \$2,370,000.

On December 31, 2011, Kathleen Curry stepped down from the Executive Director position, and on January 1, 2012, Woody Sherwood was appointed Executive Director.

July 1, 2012

Board of Directors  
Mt. Crested Butte Performing Arts Center  
Mt. Crested Butte, Colorado

In planning and performing our audits of the financial statements of the Mt. Crested Butte Performing Arts Center (MCBPAC), as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered 's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 's internal control. Accordingly, we do not express an opinion on the effectiveness of MCBPAC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified a deficiency in internal control. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

#### Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the MCBPAC. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

#### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the MCBPAC, are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the MCBPAC during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgments. The most significant estimates made by the City are related to pledged revenue receipts.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

To the best of our knowledge, management has not consulted with or obtained opinions from other independent accountants during the past year that are subject to the requirements of Statement on Auditing Standards No. 50, "Reports on the Application of Accounting Principles."

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as auditors. However, these discussions, as they pertain to the MCBPAC, occurred in the normal course of our professional relationship and the responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

### Conclusion

We would like to thank Woody and Marilyn and the rest of the staff for their assistance in making the audit process efficient and enjoyable.

This information is intended solely for the use of the Board and management of the MCBPAC and should not be used for any other purpose.

Very truly yours,

*Johnson and Associates*

Johnson and Associates