



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

FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT

December 31, 2012 and 2011

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## INDEPENDENT AUDITOR'S REPORT



April 11, 2013

Board of Directors  
Mt. Crested Butte Performing Arts Center

We have audited the accompanying statement of financial position of Mt. Crested Butte Performing Arts Center (a non-profit organization) as of December 31, 2012, and the related statements of activities and 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.

**Auditor's 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 of 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 above present fairly, in all material respects, the financial position of Mt. Crested Butte Performing Arts Center as of December 31, 2012 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The financial statements of Mt. Crested Butte Performing Arts Center as of December 31, 2011, were audited by other auditors whose report dated June 30, 2012, expressed an unmodified opinion on those statements.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

Mt. Crested Butte Performing Arts Center  
(A Development Stage Enterprise)

STATEMENT OF FINANCIAL POSITION  
December 31, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 530,210	\$ 377,660
Unconditional promises to give, less allowance for doubtful accounts of \$50,000 and \$10,000	1,297,305	261,000
Other accounts receivable	951	-
Deposits and prepaid expense	450	-
Commitment from Town	5,754,645	5,754,945
Capital assets		
Land leasehold	2,371,500	-
Building design and PUD costs	144,788	246,862
	<b>Total assets</b>	<b>Total assets</b>
	<b>\$ 10,099,849</b>	<b>\$ 6,640,467</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 4,561	\$ 2,121
Accrued payroll liabilities	3,336	3,426
	<b>Total liabilities</b>	<b>Total liabilities</b>
	<b>7,897</b>	<b>5,547</b>
Net assets		
Unrestricted	10,091,952	6,634,920
	<b>Total net assets</b>	<b>Total net assets</b>
	<b>10,091,952</b>	<b>6,634,920</b>
<b>Total liabilities and net assets</b>	<b>\$ 10,099,849</b>	<b>\$ 6,640,467</b>

The accompanying notes are an integral part of these financial statements.

Mt. Crested Butte Performing Arts Center  
(A Development Stage Enterprise)

STATEMENT OF ACTIVITIES

Year ended December 31, 2012, Period from Inception (February 1, 2011) through December 31, 2011  
and Cumulative for the Period from Inception through December 31, 2012

	Year ended December 31, 2012	February 1, 2011 (Inception) to December 31, 2011	February 1, 2011 (Inception) to December 31, 2012
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 1,506,350	\$ 6,564,430	\$ 8,070,780
In-kind contributions	2,271,009	456,986	2,727,995
Investment income	1,193	1,717	2,910
Total support and revenue	<u>3,778,552</u>	<u>7,023,133</u>	<u>10,801,685</u>
<b>EXPENSES</b>			
Organization	-	119,889	119,889
Payroll and benefits	176,134	76,582	252,716
Office expenses	7,921	17,408	25,329
Rent	3,000	-	3,000
Travel	3,032	1,429	4,461
Insurance	3,073	3,629	6,702
Campaign counsel	94,110	106,828	200,938
Marketing	19,679	42,336	62,015
Events	6,428	5,228	11,656
Legal	-	12,579	12,579
Accounting and auditing	7,680	1,365	9,045
Administrative expense	463	940	1,403
Total expenses	<u>321,520</u>	<u>388,213</u>	<u>709,733</u>
Change in net assets	3,457,032	6,634,920	10,091,952
Net assets, beginning of year	<u>6,634,920</u>	-	-
Net assets, end of year	<u>\$ 10,091,952</u>	<u>\$ 6,634,920</u>	<u>\$ 10,091,952</u>

The accompanying notes are an integral part of these financial statements.

Mt. Crested Butte Performing Arts Center  
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STATEMENT OF CASH FLOWS

Year ended December 31, 2012, Period from Inception (February 1, 2011) through December 31, 2011  
and Cumulative for the Period from Inception through December 31, 2012

	Year ended December 31, 2012	February 1, 2011 (Inception) to December 31, 2011	February 1, 2011 (Inception) to December 31, 2012
Cash flows from operating activities			
Increase in unrestricted net assets	\$ 3,457,032	\$ 6,634,920	\$ 10,091,952
Adjustments to reconcile change in unrestricted net assets to net cash provided (used ) by operating activities			
Noncash capital contributions	(2,267,926)	-	(2,267,926)
(Increase) decrease in unconditional promises to give	(1,036,305)	(261,000)	(1,297,305)
(Increase) decrease in Town commitment	300	(5,754,945)	(5,754,645)
(Increase) decrease in other receivables	(951)	-	(951)
(Increase) decrease in deposits and prepaids	(450)	-	(450)
Increase (decrease) in accounts payable	2,440	2,121	4,561
Increase (decrease) in accrued liabilities	(90)	3,426	3,336
Net cash provided (used) by operating activities	<u>154,050</u>	<u>624,522</u>	<u>778,572</u>
Cash flows from investing activities			
Capital asset acquisition	<u>(1,500)</u>	<u>(246,862)</u>	<u>(248,362)</u>
Net cash provided (used) by operating activities	<u>(1,500)</u>	<u>(246,862)</u>	<u>(248,362)</u>
Net increase (decrease) in cash and cash equivalents	152,550	377,660	530,210
Cash and cash equivalents, beginning of year	<u>377,660</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 530,210</u>	<u>\$ 377,660</u>	<u>\$ 530,210</u>
<u>Non cash investing activities</u>			
Capital assets added from noncash contributions	\$ 2,267,926	\$ -	\$ 2,267,926

The accompanying notes are an integral part of these financial statements.

Mt. Crested Butte Performing Arts Center  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

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**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.

Purpose and Organization

The Mt. Crested Butte Performing Arts Center was incorporated under the laws of the State of Colorado in 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, receiving donations of land for the performance hall from the Town of Mt. Crested Butte and the Crested Butte Mountain Resort (CBMR), developing the building design and project estimates, and initiating a capital campaign. Prior to February 2011, many of these activities were conducted by the Town of Mt. Crested Butte and the Crested Butte Music Festival.

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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of MCBPAC and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of MCBPAC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. MCBPAC does not currently have any temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by MCBPAC. Generally, the donors of these assets permit MCBPAC to use all or part of the income earned on any related investments for general or specific purposes. MCBPAC does not currently have any permanently restricted net assets.

Mt. Crested Butte Performing Arts Center  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Contributions

Contributions received and unconditional promises to give are recognized in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a rate commensurate with the risk involved, if significant. Amortization of the discount, if any, is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, other relevant factors, and industry standards, which presently uses a 3.5% amount for the allowance.

Valuation of Assets

Corporate stocks and partnership interests, if any, are recorded at market value on the date of contribution, or at an estimated value where market value is not available, and then converted to cash at the earliest possible date.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Partnership interests are recorded at market value on the date of contribution, or at an estimated value where market value is not available. Unrealized gains and losses, if any, are included in the change in net assets. Fair values are determined using quoted markets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, money market, and trading accounts. At year-end and throughout the year, MCBPAC's cash balances were deposited in one bank and one trading account. Management believes MCBPAC is not exposed to any significant credit risk on 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services, Goods and Facilities

Materials, facility rent and other assets received as donations are recorded and reported in the accompanying financial statements at their fair values at the date of receipt.



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December 31, 2012 and 2011

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Income Tax Status

MCBPAC is organized as a not-for-profit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code on December 2, 2010.

MCBPAC adopted the provisions of ASC 740-10-25 pertaining to accounting for uncertainty in income taxes. This pronouncement requires the use of 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 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 them.

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.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose MCBPAC to concentrations of credit and market risk consist primarily of bank accounts and cash equivalents. Cash is maintained at high-quality financial institutions. Bank balances at December 31, 2012 were \$430,853, all of which are FDIC insured. MCBPAC has not experienced any losses on its cash equivalents.

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash in banks, checking and money market	\$ 480,444
Trade account	49,766
Total cash and cash equivalents	<u>\$ 530,210</u>

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**NOTE C – PROMISES TO GIVE**

A summary of the unconditional promises to give at December 31 and expected years of completion follows:

Receivable in less than one year	\$ 453,000
Receivable in one to five years	<u>894,305</u>
Total Unconditional Promises to Give	1,347,305
Less allowance for uncollectible promises receivable	<u>50,000</u>
Net Unconditional Promises to Give	<u>\$ 1,297,305</u>

MCBPAC has received two conditional promises to give totaling \$65,000.

**NOTE D – CONCENTRATIONS**

During 2012, 87% of the total contributions were made by three donors: The Town of Mt. Crested Butte and two families.

**NOTE E – MAJOR IN-KIND CONTRIBUTIONS AND TOWN COMMITMENT**

Crested Butte Mountain Resort (CBMR) previously 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 Performing Arts Center (PAC). The land leasehold was valued at \$2,370,000.

The Town of Mt. Crested Butte's commitment receivable is the balance of the \$6,000,000 pledged from the Mt. Crested Butte Downtown Development Authority (DDA). The DDA is a Tax Increment Financing District within the Town, including the (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 \$245,355 have been applied to the commitment.

The DDA made previous 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 previous 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 were recorded in the 2011 financial statements.

**NOTE F – CAPITAL ASSETS**

Capital assets are the land leasehold (\$2,371,500) and building design costs (\$144,788) which are currently not depreciable assets.

Mt. Crested Butte Performing Arts Center  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

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**NOTE G – SUBSEQUENT EVENTS**

Management has evaluated potential subsequent event disclosures through April 11, 2013 (date of availability of financial statements for issuance). There were no subsequent events identified that require disclosure.