

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

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

March 22, 2014

Board of Directors
Mt. Crested Butte Performing Arts Center

We have audited the accompanying statements of financial position of Mt. Crested Butte Performing Arts Center (a non-profit organization) as of December 31, 2013 and 2012, and the related statements of activities and 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.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

STATEMENT OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 750,632	\$ 530,210
Unconditional promises to give, less allowance for doubtful accounts of \$32,000 and \$50,000	936,305	1,297,305
Other accounts receivable	1,669	951
Deposits and prepaid expense	615	450
Restricted cash - capital campaign match	479,613	-
Commitment from Town	5,754,645	5,754,645
Capital assets		
Land leasehold	2,371,500	2,371,500
Building design and PUD costs	144,788	144,788
	Total assets	Total assets
	\$ 10,439,767	\$ 10,099,849
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 3,888	\$ 4,561
Accrued payroll liabilities	3,263	3,336
Deferred contributions	479,613	-
	Total liabilities	Total liabilities
	486,764	7,897
Net assets		
Unrestricted	9,953,003	10,091,952
	Total net assets	Total net assets
	9,953,003	10,091,952
Total liabilities and net assets	\$ 10,439,767	\$ 10,099,849

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

Mt. Crested Butte Performing Arts Center
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STATEMENT OF ACTIVITIES

Years ended December 31, 2013 and 2012

and Cumulative for the Period from Inception (February 1, 2011) through December 31, 2013

	Year ended December 31, 2013	Year ended December 31, 2012	February 1, 2011 (Inception) to December 31, 2011	February 1, 2011 (Inception) to December 31, 2013
SUPPORT AND REVENUE				
Contributions	\$ 232,295	\$ 1,506,350	\$ 6,564,430	\$ 8,303,075
In-kind contributions	10,125	2,271,009	456,986	2,738,120
Investment income	5,490	1,193	1,717	8,400
Total support and revenue	<u>247,910</u>	<u>3,778,552</u>	<u>7,023,133</u>	<u>11,049,595</u>
EXPENSES				
Organization	-	-	119,889	119,889
Payroll and benefits	189,660	176,134	76,582	442,376
Office expenses	7,613	7,921	17,408	32,942
Rent	3,000	3,000	-	6,000
Travel	1,720	3,032	1,429	6,181
Insurance	8,109	3,073	3,629	14,811
Campaign counsel	109,690	94,110	106,828	310,628
Marketing	34,357	19,679	42,336	96,372
Events	20,774	6,428	5,228	32,430
Legal	-	-	12,579	12,579
Accounting and auditing	7,857	7,680	1,365	16,902
Bank fees	1,211	-	-	1,211
Administrative expense	2,868	463	940	4,271
Total expenses	<u>386,859</u>	<u>321,520</u>	<u>388,213</u>	<u>1,096,592</u>
Change in net assets	(138,949)	3,457,032	6,634,920	9,953,003
Net assets, beginning of year	<u>10,091,952</u>	<u>6,634,920</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 9,953,003</u>	<u>\$ 10,091,952</u>	<u>\$ 6,634,920</u>	<u>\$ 9,953,003</u>

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

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

STATEMENT OF CASH FLOWS
Years ended December 31, 2013 and 2012
and Cumulative for the Period from Inception (February 1, 2011) through December 31, 2013

	Year ended December 31, 2013	Year ended December 31, 2012	February 1, 2011 (Inception) to December 31, 2011	February 1, 2011 (Inception) to December 31, 2013
Cash flows from operating activities				
Increase (decrease) in unrestricted net assets	\$ (138,949)	\$ 3,457,032	\$ 6,634,920	\$ 9,953,003
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	361,000	(1,036,305)	(261,000)	(936,305)
(Increase) decrease in Town commitment	-	300	(5,754,945)	(5,754,645)
(Increase) decrease in other receivables	(718)	(951)	-	(1,669)
(Increase) decrease in deposits and prepaids	(165)	(450)	-	(615)
Increase (decrease) in accounts payable	(673)	2,440	2,121	3,888
Increase (decrease) in accrued liabilities	(73)	(90)	3,426	3,263
Increase (decrease) in deferred contributions	479,613	-	-	479,613
Net cash provided (used) by operating activities	700,035	154,050	624,522	1,478,607
Cash flows from investing activities				
Capital asset acquisition	-	(1,500)	(246,862)	(248,362)
Net cash provided (used) by investing activities	-	(1,500)	(246,862)	(248,362)
Net increase (decrease) in cash and cash equivalents	700,035	152,550	377,660	1,230,245
Cash and cash equivalents, beginning of year	530,210	377,660	-	-
Cash and cash equivalents, end of year	<u>\$ 1,230,245</u>	<u>\$ 530,210</u>	<u>\$ 377,660</u>	<u>\$ 1,230,245</u>
Non cash investing activities				
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
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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, 2013 and 2012

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, trading accounts, and amounts held by a community foundation. At year-end and throughout the year, MCBPAC's cash balances were deposited into two banks, a community foundation, 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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NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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, cash equivalents, and funds in a community foundation. Cash is maintained at high-quality financial institutions and a community foundation. Bank balances at December 31, 2013 were \$714,883, of which \$677,469 was FDIC insured and \$37,414 was uninsured. MCBPAC has not experienced any losses on its cash equivalents. The funds invested through the community foundation are held in separately insured federally depository institutions, not to exceed \$250,000 per institution.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash in banks, checking and money market	\$ 219,964
Certificates of deposit	250,000
Community foundation (CDs)	750,000
Trade account	<u>10,281</u>
Total cash and cash equivalents	1,230,245
Restricted for capital campaign match – Note H	<u>(479,613)</u>
Cash and cash equivalents, unrestricted	<u>\$ 750,632</u>

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NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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	\$ 533,500
Receivable in one to five years	<u>434,805</u>
Total Unconditional Promises to Give	968,305
Less allowance for uncollectible promises receivable	<u>32,000</u>
Net Unconditional Promises to Give	<u>\$ 936,305</u>

MCBPAC previously received two conditional promises to give totaling \$65,000. See Note H for additional conditional promises.

NOTE D – CONCENTRATIONS

During 2013, 41% of the total contributions were made by one donor: a family.

NOTE E – MAJOR IN-KIND CONTRIBUTIONS AND TOWN COMMITMENT

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, 2013 and 2012

NOTE G – SUBSEQUENT EVENTS

Management has evaluated potential subsequent event disclosures through March 22, 2014 (date of availability of financial statements for issuance). There were no subsequent events identified that require disclosure.

NOTE H – DEFERRED CONTRIBUTIONS

In early 2013 MCBPAC initiated the Founders Challenge campaign to raise \$3,000,000. Upon reaching that goal the Community Match campaign was initiated to match that amount. Pledge documents from both campaigns stated that pledges were contingent upon meeting the stated goals. The \$6,000,000 goal was achieved at December 31, 2013, and \$479,613 had been received in cash. However, some of the pledges had not been documented, and therefore, cash received from the two campaigns has been reflected in these statements as deferred contributions. When the remaining pledges have been documented, all pledges contingent upon reaching the match goal will be recorded as contribution revenue.