



MT. CRESTED BUTTE PERFORMING ARTS CENTER  
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT

December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

March 23, 2017

Board of Directors  
Mt. Crested Butte Performing Arts Center

We have audited the accompanying consolidated statements of financial position of Mt. Crested Butte Performing Arts Center (a non-profit organization) and Subsidiary as of December 31, 2016 and 2015, and the related consolidated 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 consolidated financial position of Mt. Crested Butte Performing Arts Center and Subsidiary as of December 31, 2016 and 2015, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Mt. Crested Butte Performing Arts Center and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31,

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,761,742	\$ 1,760,436
Unconditional promises to give, less allowance for doubtful accounts of \$113,000 and \$122,000	3,119,910	3,353,451
Other accounts receivable	5,751	5,391
Inventory	8,891	5,500
Deposits and prepaid expense	20,503	432
Restricted cash	571,512	617,101
Commitment from Town	4,922,371	4,924,295
Capital assets		
Land leasehold	2,371,500	2,371,500
Building design and debt issue costs	718,930	627,528
Café equipment and leaseholds, net	90,910	81,733
Intangible assets	356,600	356,600
Total assets	<u>\$ 13,948,620</u>	<u>\$ 14,103,967</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 85,231	\$ 45,765
Accrued payroll liabilities	8,663	10,284
Accrued sales tax payable	-	5,453
Loan payable	66,071	74,127
Total liabilities	<u>159,965</u>	<u>135,629</u>
Net assets		
Unrestricted	13,788,655	13,968,338
Total net assets	<u>13,788,655</u>	<u>13,968,338</u>
Total liabilities and net assets	<u>\$ 13,948,620</u>	<u>\$ 14,103,967</u>

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

Mt. Crested Butte Performing Arts Center and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended December 31,

	2016	2015
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 136,270	\$ 128,974
In-kind contributions	8,141	367,167
Investment income	25,086	21,165
BWC Café revenue	382,921	66,242
	<u>552,418</u>	<u>583,548</u>
<b>EXPENSES</b>		
Payroll and benefits	213,658	187,494
Bad debts	30,000	160,000
Office expenses	9,224	4,826
Rent	3,000	3,000
Travel	573	1,386
Insurance	7,171	7,197
Campaign counsel	52,650	135,967
Marketing	33,230	30,851
Events	-	3,784
Accounting and auditing	7,853	8,863
Bank fees	3,781	2,005
Legal	450	-
Administrative expense	1,131	5,718
BWC Café expenses	369,380	83,236
	<u>732,101</u>	<u>634,327</u>
	(179,683)	(50,779)
Net assets, beginning of year	<u>13,968,338</u>	<u>14,019,117</u>
Net assets, end of year	<u>\$ 13,788,655</u>	<u>\$ 13,968,338</u>

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

Mt. Crested Butte Performing Arts Center and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

	2016	2015
Cash flows from operating activities		
Increase (decrease) in unrestricted net assets	\$ (179,683)	\$ (50,779)
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities		
Depreciation	12,559	1,144
Bad debts	30,000	160,000
Noncash contributions	-	(356,600)
(Increase) decrease in unconditional promises to give	203,541	270,166
(Increase) decrease in other receivables	(360)	(2,697)
(Increase) decrease in inventory	(3,391)	(5,500)
(Increase) decrease in deposits and prepaids	(20,071)	53
Increase (decrease) in accounts payable	39,466	8,713
Increase (decrease) in accrued liabilities	(7,074)	13,281
Net cash provided (used) by operating activities	<u>74,987</u>	<u>37,781</u>
Cash flows from investing activities		
Capital asset acquisition	(111,214)	(7,877)
Net cash provided (used) by investing activities	<u>(111,214)</u>	<u>(7,877)</u>
Cash flows from financing activities		
Payments made on debt	(8,056)	(873)
Net cash provided (used) by financing activities	<u>(8,056)</u>	<u>(873)</u>
Net increase (decrease) in cash and cash equivalents	(44,283)	29,031
Cash and cash equivalents, beginning of year	<u>2,377,537</u>	<u>2,348,506</u>
Cash and cash equivalents, end of year	<u>\$ 2,333,254</u>	<u>\$ 2,377,537</u>
Noncash financing activities:		
Purchase of capital assets with debt	\$ -	\$ 75,000
Purchase of capital assets with change in Town commitment	1,924	-
Interest paid	\$ 3,880	\$ 460

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

Mt. Crested Butte Performing Arts Center

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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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 consolidated financial statements. The consolidated 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 500 seat professional quality events center in Mt. Crested Butte, Colorado. Development activity has included obtaining land use approvals, receiving donations of land for the events center 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. MCBPAC's activities are subject to significant risks and uncertainties, including failing to secure additional funding to build the facility and operationalize its activities.

BWC Café, Inc. is owned 100% by MCBPAC and has a September 30 year-end.

Basis of Presentation

The accompanying consolidated 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.

Mt. Crested Butte Performing Arts Center

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

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.

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, certificates of deposit, trading account, and amounts held by a community foundation. At year-end and throughout the year, MCBPAC's cash balances were deposited into three 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 consolidated 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.



Mt. Crested Butte Performing Arts Center

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

Donated Services, Goods and Facilities

Materials, land leasehold, 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.

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. BWC Café, Inc. is a taxable entity under the Internal Revenue Code.

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 consolidated 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, certificates of deposit, and funds in a community foundation. Cash is maintained at high-quality financial institutions and a community foundation. Bank balances at December 31, 2016 were \$570,282, of which \$508,782 was FDIC insured and \$61,500 was uninsured. MCBPAC has not experienced any losses on its cash equivalents. The funds invested through the community foundation are held in separately insured federal depository institutions, not to exceed \$250,000 per institution. The following table gives further detail of the bank deposit amounts:

	Total		
	Bank Deposits	Insured	Uninsured
Cash in banks, includes \$250,000 in CDs	\$ 570,282	\$ 508,782	\$ 61,500
Total insured and uninsured bank deposits	570,282	\$ 508,782	\$ 61,500
Add deposits in transit	28,772		
Less outstanding checks	(16,500)		
Bank carrying amount	582,554		
Cash on hand	700		
Community foundation	1,750,000		
Total cash and cash equivalents	\$ 2,333,254		

Mt. Crested Butte Performing Arts Center

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

Inventory

Inventory consists of kitchen supplies and food and beverages. These are valued at the lower of cost or market, cost being determined on a first-in, first-out basis.

Capital assets

Capital assets are valued at cost, except when donated and those assets are valued at the fair market value at the time of donation. The capitalization policy is to capitalize those items having a cost greater than \$250 and a useful life exceeding one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>2016</u>	<u>2015</u>
Cash in banks, checking and money market	\$ 332,554	\$ 377,037
Cash on hand	700	500
Certificates of deposit	250,000	250,000
Community foundation (CDs)	<u>1,750,000</u>	<u>1,750,000</u>
Total cash and cash equivalents	2,333,254	2,377,537
Restricted cash – Note E	<u>(571,512)</u>	<u>(617,101)</u>
Cash and cash equivalents, unrestricted	<u>\$ 1,761,742</u>	<u>\$ 1,760,436</u>

**NOTE C – PROMISES TO GIVE**

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

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 809,906	\$ 919,696
Receivable in one to five years	2,048,004	2,105,755
Receivable in six to ten years	375,000	375,000
Receivable thereafter	–	<u>75,000</u>
Total Unconditional Promises to Give	3,232,910	3,475,451
Less allowance for uncollectible promises receivable	<u>113,000</u>	<u>122,000</u>
Net Unconditional Promises to Give	<u>\$ 3,119,910</u>	<u>\$ 3,353,451</u>

MCBPAC has 30 conditional promises to give totaling \$14,251,805, ranging from \$3,000 to \$7,327,156. It also has \$415,000 in eight verbal commitments.

**NOTE D – CONCENTRATIONS**

During 2016, 48% of the total contributions were made by two family donors. During 2015, 72% of the total contributions were made by one donor in the form of an in-kind donation for a coffee shop business.

Mt. Crested Butte Performing Arts Center

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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**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 events center. The land leasehold was valued at \$2,370,000.

The commitment receivable from the Town of Mt. Crested Butte 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 events center location. The DDA receives incremental property taxes and sales taxes generated from within the DDA boundaries. Expenditures by the DDA related to the events center of \$245,355 have been applied to the commitment. MCBPAC received \$830,350 of the receivable in 2014 and this amount is restricted for design costs. \$213,249 was expended during 2014 and \$45,589 was expended during 2016 resulting in a remaining restricted cash balance of \$571,512 and \$617,101 at December 31, 2016 and 2015, respectively.

The DDA made previous expenditures related to the events center 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 events center 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), building design costs (\$566,285 for 2015 and \$657,462 for 2016), deferred debt issue costs (\$61,243 for 2015 and \$61,468 for 2016) and fixed assets related to BWC Café, Inc. operations. The first three items are currently not depreciable assets. The original building design costs of \$566,285 may have some impairment as design activities have recommenced; however, management believes that the extent of any impairment cannot be estimated at this time.

The Café capital assets are as follows at December 31, 2015 and September 30, 2016:

	<u>2015</u>	<u>2016</u>
Equipment and leaseholds	\$ 82,877	\$ 104,613
Less accumulated depreciation	<u>(1,144)</u>	<u>(13,703)</u>
Total Café capital assets	<u>\$ 81,733</u>	<u>\$ 90,910</u>

Depreciation expense for 2016 and 2015 was \$12,559 and \$1,144, respectively.

Mt. Crested Butte Performing Arts Center

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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**NOTE G – SUBSEQUENT EVENTS**

Management has evaluated potential subsequent event disclosures through March 23, 2017 (date of availability of financial statements for issuance). There were no subsequent events identified that require disclosure.

**NOTE H – CONTRIBUTIONS FROM INCEPTION**

Contributions received and recorded from February 1, 2011 (inception) through December 31, 2015 totaled \$15,973,924. Additional contributions recorded in 2016 were \$144,411, bringing total recorded contributions since inception to \$16,118,335 at December 31, 2016.

**NOTE I – LOAN PAYABLE**

BWC Café, Inc. purchased \$75,000 of kitchen equipment with a loan. The loan carries an interest rate of 6% annually and payments of principal and interest of \$1,248 are due each month for 72 months starting December 1, 2015.

Aggregate maturities of the long-term obligation are:

2017	\$ 11,319
2018	12,017
2019	12,759
2020	13,546
2021	14,381
Thereafter	<u>2,049</u>
	<u>\$ 66,071</u>

Mt. Crested Butte Performing Arts Center

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

**NOTE J – BWC CAFÉ AND CONSOLIDATING SCHEDULE**

On November 20, 2015 a coffee shop business located near the proposed site of the events center was contributed to MCBPAC. The business included assignment of a 6-year building lease. Kitchen equipment was purchased with a \$75,000 loan which is being paid over a 6-year period. The contribution was recorded at \$356,600 based on a valuation obtained by the donor. The business has been operated since the contribution in a separate corporation, BWC Café, Inc., a wholly owned subsidiary of MCBPAC. The contributed intangible asset was transferred to BWC Café, Inc. as capital in the corporation.

	MCBPAC 12/31/16	BWC Cafe 9/30/2016	Eliminations	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 1,754,185	\$ 7,557	\$ –	\$ 1,761,742
Unconditional promises to give, net	3,119,910	–	–	3,119,910
Other receivables	5,751	–	–	5,751
Deposits and prepaid	2,000	18,503	–	20,503
Inventory	–	8,891	–	8,891
Investments	353,147	–	(353,147)	–
Restricted cash	571,512	–	–	571,512
Town commitment	4,922,371	–	–	4,922,371
Land leasehold	2,371,500	–	–	2,371,500
Building design and debt issuance	718,930	–	–	718,930
Café equipment and leaseholds, net	–	90,910	–	90,910
Intangible asset	–	356,600	–	356,600
Total assets	<u>\$ 13,819,306</u>	<u>\$ 482,461</u>	<u>\$ (353,147)</u>	<u>\$ 13,948,620</u>
<b>Liabilities and equity</b>				
Accounts payable	\$ 26,371	\$ 58,860	\$ –	\$ 85,231
Accrued payroll liabilities	4,280	4,383	–	8,663
Loan payable	–	66,071	–	66,071
Unrestricted net assets	13,788,655	–	–	13,788,655
Capital stock	–	10,000	(10,000)	–
Additional paid in capital	–	346,600	(346,600)	–
Retained earnings	–	(3,453)	3,453	–
Total liabilities and equity	<u>\$ 13,819,306</u>	<u>\$ 482,461</u>	<u>\$ (353,147)</u>	<u>\$ 13,948,620</u>
<b>Support and revenue</b>				
Contributions and investment income	\$ 183,038	\$ –	\$ (13,541)	\$ 169,497
Sales	–	382,921	–	382,921
Total support and revenue	<u>\$ 183,038</u>	<u>\$ 382,921</u>	<u>\$ (13,541)</u>	<u>\$ 552,418</u>
<b>Expenses</b>				
MCBPAC	\$ 362,721	\$ –	\$ –	\$ 362,721
Café	–	369,380	–	369,380
Total expenses	<u>\$ 362,721</u>	<u>\$ 369,380</u>	<u>\$ –</u>	<u>\$ 732,101</u>