

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2018**

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS -	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expense	5
Consolidated Statements of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTAL INFORMATION	
Consolidating Schedule of Financial Position	17
Consolidating Schedule of Activities	18



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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Sangre de Cristo Arts and Conference Center, Inc.  
Pueblo, Colorado

We have audited the accompanying consolidated financial statements of Sangre de Cristo Arts and Conference Center, Inc.(a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sangre de Cristo Arts and Conference Center, Inc. as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and the consolidating schedule of activity on pages 16-17 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*McPherson, Goduch, Paolucci & Mehelich, PC*  
October 31, 2019

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

**ASSETS**

Cash and cash equivalents	\$ 376,029
Accounts receivables	205,783
Unconditional promises to give, net	1,300
Prepaid expenses	63,963
Investments	4,269,375
Inventories	11,362
Land	18,500
Leasehold improvements	1,032,535
Furniture and equipment	242,811
Accumulated depreciation	(872,310)
Art collection	<u>5,018,876</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,368,224</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 8,396
Accrued payroll and expenses	63,975
Deferred revenue	<u>41,435</u>

**TOTAL LIABILITIES**

113,806

**NET ASSETS**

Without Donor Restrictions	
Undesignated	546,936
Board designated	<u>6,549,066</u>
Total without donor restrictions	7,096,002
With Donor Restrictions	
Purpose and time restrictions	<u>3,158,416</u>
Total with donor restrictions	<u>3,158,416</u>

**TOTAL NET ASSETS**

10,254,418

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 10,368,224**

The accompanying notes are an integral part of these statements.

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

	Year Ended December 31, 2018		
	Without donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Public Support			
Contributions	\$ 274,174	\$ 160,925	\$ 435,099
Government grants	678,152	-	678,152
Grants	101,450	-	101,450
Sales	186,813	-	186,813
Less Cost of goods sold	(18,632)	-	(18,632)
	168,181	-	168,181
Admissions	233,772	-	233,772
Classes	150,501	-	150,501
Membership revenue	146,130	-	146,130
Rental of facilities	235,160	-	235,160
Travel tour income	15,615	-	15,615
Net investment return	(50,054)	(122,165)	(172,219)
Miscellaneous	15,233	-	15,233
In-kind contributions	1,009,272	-	1,009,272
Released from restriction	340,581	(340,581)	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>3,318,167</b>	<b>(301,821)</b>	<b>3,016,346</b>
<b>EXPENSES</b>			
Program expenses			
Education	334,400	-	334,400
Exhibition	398,411	-	398,411
Performance	249,703	-	249,703
Facilities rental	403,206	-	403,206
Children's museum	353,949	-	353,949
Supporting Services			
General and administrative	1,602,572	-	1,602,572
Fundraising	138,071	-	138,071
Miscellaneous	186	-	186
<b>TOTAL EXPENSES</b>	<b>3,480,498</b>	<b>-</b>	<b>3,480,498</b>
<b>CHANGE IN NET ASSETS</b>	<b>(162,331)</b>	<b>(301,821)</b>	<b>(464,152)</b>
<b>NET ASSETS AT BEGINNING OF YEAR-RESTATED</b>	<b>7,258,333</b>	<b>3,460,237</b>	<b>10,718,570</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 7,096,002</b>	<b>\$ 3,158,416</b>	<b>\$ 10,254,418</b>

The accompanying notes are an integral part of these statements.

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services					Program Services Total
	Education	Exhibition	Performing Arts	Facilities Rental	Children's Museum	
Salaries and wages	134,420	\$ 111,062	\$ 1,785	\$ 64,536	\$ 144,205	\$ 456,008
Payroll taxes	11,240	9,287	149	8,626	12,058	41,360
Fringe benefits	12,931	10,684	172	9,923	13,872	47,582
Total Personnel	158,591	131,033	2,106	83,085	170,135	544,950
Contract labor	66,390	3,040	43,761	26,981	3,021	143,193
Board expense	-	-	-	-	-	-
Consignment	-	22,942	-	-	-	22,942
Credit card and bank charges	-	(57)	-	-	(561)	(618)
Depreciation	-	-	-	-	-	-
Dues and subscriptions	27	-	-	-	478	505
Fund raising	-	-	-	-	-	-
Insurance	-	5,500	-	-	-	5,500
Miscellaneous	-	5,060	-	6	-	5,066
Purchases	-	529	459	39,686	4,202	44,876
Postage	(56)	489	695	105	17	1,250
Professional services	225	3,605	5,500	1,239	9,823	20,392
Print and publications	5,422	3,471	11,332	380	1,874	22,479
Publicity/Advertising	3,063	16,703	3,942	-	8,084	31,792
Public relations	-	20	155	725	-	900
Rental expense	-	152	-	622	-	774
Repairs and maintenance	-	-	-	-	-	-
Supplies	16,407	79,312	1,450	16,717	14,343	128,229
Taxes and licenses	385	-	113	295	-	793
Telephone	-	-	-	-	-	-
Travel and training	1,543	1,158	1,811	400	948	5,860
In-kind expense - donated services	-	-	-	-	-	-
In-kind expense - rent	61,110	93,037	132,286	172,767	105,000	564,200
In-kind expense - utilities	21,293	32,417	46,093	60,198	36,585	196,586
TOTAL EXPENSES	<u>\$ 334,400</u>	<u>\$ 398,411</u>	<u>\$ 249,703</u>	<u>\$ 403,206</u>	<u>\$ 353,949</u>	<u>\$ 1,739,669</u>

The accompanying notes are an integral part of these statements.

	<u>Support</u>				<u>Total</u>
	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Endowment</u>	<u>Support Total</u>	
Salaries and wages	\$ 632,895	\$ 36,018	\$ -	\$ 668,913	\$ 1,124,921
Payroll taxes	53,176	2,759	-	55,935	97,295
Fringe benefits	62,984	60	-	63,044	110,626
Total Personnel	749,055	38,837	-	787,892	1,332,842
Contract labor	106,121	37,613	-	143,734	286,927
Board expense	11,494	-	-	11,494	11,494
Consignment	-	1,000	-	1,000	23,942
Credit card and bank charges	19,877	-	-	19,877	19,259
Depreciation	73,335	-	-	73,335	73,335
Dues and subscriptions	6,096	-	-	6,096	6,601
Fund raising	-	-	-	-	-
Insurance	34,059	-	-	34,059	39,559
Miscellaneous	20,201	9,149	186	29,536	34,602
Purchases	-	5,668	-	5,668	50,544
Postage	9,492	921	-	10,413	11,663
Professional services	75,200	-	-	75,200	95,592
Print and publications	24,218	10,431	-	34,649	57,128
Publicity/Advertising	25,664	11,010	-	36,674	68,466
Public relations	2,714	-	-	2,714	3,614
Rental expense	2,269	1,012	-	3,281	4,055
Repairs and maintenance	98,591	-	-	98,591	98,591
Supplies	77,121	10,840	-	87,961	216,190
Taxes and licenses	2,737	1,092	-	3,829	4,622
Telephone	9,333	-	-	9,333	9,333
Travel and training	6,509	10,498	-	17,007	22,867
In-kind expense - donated services	-	-	-	-	-
In-kind expense - rent	245,072	-	-	245,072	809,272
In-kind expense - utilities	3,414	-	-	3,414	200,000
TOTAL EXPENSES	<u>\$ 1,602,572</u>	<u>\$ 138,071</u>	<u>\$ 186</u>	<u>\$ 1,740,829</u>	<u>\$ 3,480,498</u>



**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018**

<b>Cash flow from operating activities</b>	
Change in net assets	\$ (464,152)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Realized/unrealized (gain) loss on investments	484,031
Depreciation	73,334
Changes in operating assets	
(Increase) decrease in accounts receivable	(174,081)
(Increase) decrease in inventory	832
(Increase) decrease in promises to give	500
(Increase) decrease in prepaid expenses	(5,920)
Increase (decrease) in accounts payable	(4,262)
Increase (decrease) in deferred revenue	38,285
Increase (decrease) in compensated absences	(17,240)
Increase (decrease) in customer deposits	1,905
Increase (decrease) in accrued expenses	(1,147)
<b>Net cash provided (used) by operating activities</b>	<u><b>(67,915)</b></u>
 <b>Cash flow from investing activities</b>	
Purchase of securities	(482,879)
Proceeds from sale of investments	448,069
Donations of art	(13,280)
Purchase of equipment	(58,500)
<b>Net cash provided (used) by investing activities</b>	<u><b>(106,590)</b></u>
 <b>Net change in cash</b>	 <b>(174,505)</b>
Cash - Beginning of year	<u>550,534</u>
<b>Cash - End of year</b>	<u><b>\$ 376,029</b></u>
 <b>Supplementary information</b>	
In-kind contributions/expenses	<u><b>\$ 1,009,272</b></u>

The accompanying notes are an integral part of these statements.

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities – Sangre de Cristo Arts and Conference Center, Inc.’s (the “Center”) mission is to make the Arts an active part in everyone’s life through leadership in managing, promoting, and providing quality facilities, art programs, and services which educate, challenge and meet the needs of the people of Pueblo and Southern Colorado. The services are funded through merchandise and ticket sales, appropriations from the City and County of Pueblo, contributions, grants and other fees. The Center’s business office is located at 210 North Santa Fe Avenue, Pueblo, Colorado. The Center is organized under State of Colorado statute as a non-profit organization.

Principles of Consolidation – The consolidated financial statements include the accounts of the Sangre de Cristo Arts and Conference Center, Inc. and the Sangre de Cristo Arts and Conference Center Endowment, Inc. (Endowment entity), a separately incorporated organization whose purpose is to receive, hold and manage funds exclusively for the benefit of the Center. The Endowment entity holds investments with a local brokerage firm and distributes funds annually, based on the needs of the Center. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Basis of Accounting – The consolidated financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and other assets along with payables and other liabilities.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates, and those differences could be material.

Cash and Cash Equivalents – We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies - Accounts receivable consist primarily of noninterest-bearing amounts due for program services and grant awards but payment has not been received by the date of the financial statements. We determine the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At December 31, 2018 all amounts were deemed collectible.

Promises to Give - We record unconditional promises to give that are expected to be collected within one year at a net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Promises to give are written off when deemed uncollectible. At December 31, 2018, the allowance was \$200.

Inventories - Inventories are comprised of items held for sale, catalogs and brochures using physical counts taken at December 31, 2018, stated at cost. The first-in, first-out method is used to identify items in inventory.

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

Property and Equipment – We record property and equipment additions over \$1,000 or if donated at estimated fair market value on the date of donation. Units with a useful life over 1 year or more are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets ranging from 5 to 31.5 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Revenue and Revenue Recognition - Revenue is recognized when earned. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributed Services and Other In-Kind Contributions – Contributed services are recorded if they (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. A number of volunteers have contributed significant amounts of their time in the Center's program services and its fundraising campaigns, but are not recognized as contributions in the financial statements because they do not meet the aforementioned criteria.

Contributed Use of Facilities - During the year ended December 31, 2018, the value of the facilities and utilities used by the Center on the property and buildings owned by the County of Pueblo, totaled \$1,009,272. These amounts are recorded in the statement of activities and statement of functional expenses under the captions "In-kind contributions" and "In-kind rent and utilities".

Investments - We record investment purchases at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consisted of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from assets without donor restrictions, net assets for subsequent year's expenses.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain 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 the donor stipulates that the 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.

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

Functional Allocation of Expenses – The costs of providing programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on time records, utilization of facilities, and management's estimates.

Employee Benefits – All full-time employees of the Center are eligible to participate in a defined contribution retirement plan subject to the provisions of IRS Code section 403(b) and the Employee Retirement Income Security Act of 1974 (ERISA). The Center's matching contributions equal one dollar for every three dollars of elective contributions by participating employees. Employee benefits include employer retirement plan contributions of \$10,191 for the year ended December 31, 2018. These amounts do not include any provision for prior service costs in that the Center's policy is to fund the plan currently and to record the costs as expenses in the year in which they are incurred. Employer contributions vest to the employee over five years, 20% for each year of employment.

Income Tax Status – The Center and the Endowment are organized as Colorado nonprofit corporations and have been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under IRC Sections 509(a)(a) and (3), respectively. The Center and the Endowment entity are annually required to file a Return of Organization Exempt from Income Taxes (Form 990) with the IRS. The Center and Endowment entity believe that they have appropriate support for any tax position taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

Change in Accounting Principle - On August 15, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic958) – Presentation of Financial Statements for Not-for-Profit Entities. The update 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. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. A key change required by ASU 2016-14 is the net asset class used in these financial statements. Amounts previously reported as unrestricted net assets are reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Evaluation of Subsequent Events - We have evaluated subsequent events through the date of the independent auditors' report, the date that the financial statements are available to be issued, and have considered any relevant matters in the preparation of the financial statements and footnotes.

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 375,103
Accounts receivable	205,783
Unconditional promises to give	1,300
Investments	<u>4,269,376</u>
Total financial assets	4,851,562
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Net assets with donor restrictions	<u>(3,158,416)</u>
 Financial assets and liquidity resources available within one year	 <u>\$ 1,693,146</u>

The Center is substantially supported by charitable contributions in addition to fees earned from the various programs. As those charged with management of those accounts request expenses to be made, assets with donor restrictions can be liquidated to cover those expenses.

**NOTE 3 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following:

Restricted for scholarships and other purposes	\$ 1,500
Less: Allowance for uncollectible unconditional promises to give	<u>(200)</u>
Gross unconditional promises to give	1,300
Less: unamortized discount	<u>-</u>
 Net unconditional promises to give	 <u>\$ 1,300</u>
 Amounts due in:	
Less than one year	\$ 1,000
Due in one to five years	<u>300</u>
 TOTAL	 <u>\$ 1,300</u>

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 - INVESTMENTS**

Marketable debt and equity securities are presented in the financial statements at fair market value:

	<b>Cost</b>	<b>Carrying Value</b>
Mutual funds, stocks, bonds, etc.	<u>\$ 3,799,206</u>	<u>\$ 4,269,376</u>

The following schedule summarizes the net investment return and its classification in the Statement of Activities for the year ended December 31, 2018:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Dividend and Interest income	\$ 60,314	\$ 186,498	\$ 246,812
Realized gains (losses)	60,000	-	60,000
Unrealized gains (losses)	<u>(170,368)</u>	<u>(308,663)</u>	<u>(479,031)</u>
Total investment income (loss)	<u>\$ (50,054)</u>	<u>\$ (122,165)</u>	<u>\$ (172,219)</u>

The investments are maintained by a local brokerage firm at no cost to the Center.

**NOTE 5 – ART COLLECTION**

Works of art are recorded at cost, if purchased or at their estimated fair market value at the time of contribution, if donated. Gifts of cash or other property restricted by the donors for purchase of items for the collection are classified as net assets with donor restrictions until acquisitions are made in accordance with the terms of the gift.

The deaccession of art objects from the permanent collection and held for sale are stated at the lower of cost, contributed value or the estimated market value at the time the object is deaccessed.

Changes to the art collection were as follows:

Beginning balance	\$ 5,005,596
Donations of works of art	<u>13,280</u>
Ending balance	<u>\$ 5,018,876</u>

**NOTE 6 – VACATION BENEFITS**

The Center provides vacation and sick leave to its full-time employees. Paid vacation is earned after one year of service and accrues at a rate based on length of service with the Center. Sick leave is earned at a rate of one and one quarter days per month up to a maximum of thirty days. Upon separation from service, employees are paid for unused vacation days and one half of unused sick days. The liability for accrued compensated absences totaled \$36,467 at December 31, 2018.

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 7 – LEASE AGREEMENTS**

The Center entered into an operating lease agreement with Great America Financial Service for computer equipment, copies and network services, dated June 2018, at 0% interest, principal \$2,235 due monthly for 60 months. Annual lease payments equaled \$39,164 for 2018. The carrying value of the assets are subject to the operating lease.

The following is future capital lease payments for years subsequent to December 31, 2018:

<u>Year ending December 31</u>	
2019	\$ 26,819
2020	26,819
2021	26,816
2022	26,816
2023	<u>13,410</u>
Total	<u>\$ 120,680</u>

**NOTE 8 – DESIGNATED NET ASSETS**

At December 31, 2018, The Center had board designated without restriction net assets for the following purposes:

King Collection	\$ 909,068
Plant	421,535
Art Collection	5,018,876
Board designated endowment	<u>199,587</u>
Total	<u>\$ 6,549,066</u>

**NOTE 9 – RESTRICTION OF NET ASSETS**

Net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specified purpose our time	
Future exhibits, scholarships or programs	\$ 2,952,510
Acquisition of works of art	<u>205,906</u>
Total	<u>3,158,416</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2018:

Operations	\$ 196,939
Exhibits and programs	<u>143,642</u>
Total	<u>\$ 340,581</u>

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 10 – MAJOR DONORS**

The following is a listing of significant donors (contributions with balances exceeding 10% of the total net assets of the Center):

Pueblo County	\$ 1,637,948
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**NOTE 11 – ENDOWMENT FUNDS**

The Center's board designated endowment consists of investments established for the needs of the Center. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor restrictions.

The board of directors of the Center has interpreted the Colorado enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Center to spend or accumulate so much of the endowment as the Center determines to be prudent for the purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The Center makes every effort to abide by the provisions of UPMIFA. The Center's endowment funds, board designated are described in Note 8. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

Generally, if the corpus of a contribution will at some future time become available for spending, it is recorded as with donor restriction with a time or purpose restriction; if the corpus never becomes available for spending, it will be reported as with donor restriction, perpetual in nature. In addition, contributions that are promised to be given in a future period are presented as temporarily restricted until the payments are due.

*Endowment Investment and Spending Policies:* The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Center's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to achieve a compound, time-weighted total return in excess of a weighted-average composite of the component indices over a fair market cycle of 3-5 years. Actual returns in any given year may vary from this objective.



**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 11 – ENDOWMENT FUNDS (cont'd)**

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments (approximately 60%) than on fixed income investments (approximately 40%) to achieve its long-term return objectives within prudent risk parameters. These percentages will be valued on the market value of the investments, rather than the acquisition cost.

The long-term focus of the investment program should be to meet the needs for current distributions and to provide growth in assets and income over time through investment of excess income and capital appreciation. In line with this approach to investing, the Endowment Board anticipates a spending rate for annual distributions of approximately one hundred percent (100%) of the income/dividends earned each year on the account(s) and up to seventy five percent (75%) of the net capital gains, based on year-end market values of the year prior. Net capital gains not taken, but authorized, may accrue forward for potential future distribution.

Changes in Endowment Net Assets for the year ending December 31, 2018:

	<u>Without Donor Restrictions</u>
<b>Balance, December 31, 2017</b>	<b>\$ 203,837</b>
Interest and dividend income	5,697
Contributions	-
Realized and unrealized appreciation	(6,700)
Appropriation of endowment assets for expenditure	<u>(3,247)</u>
<b>Balance, December 31, 2018</b>	<b><u>\$ 199,587</u></b>

**NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

**Fair Value Measurements**

We report certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under the current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumption that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 12 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted process for similar assets in active markets, quoted process for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of the asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgement, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

The following tables present the Center's fair value hierarchy for financial assets measured at fair value on a recurring basis as of December 31, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities				
Domestic emphasis securities	\$ 1,923,001	\$ 1,923,001	\$ -	\$ -
Foreign emphasis securities	503,915	503,915	-	-
Marketable debt securities				
Domestic emphasis securities	1,432,003	1,432,003	-	-
Foreign emphasis securities	109,928	109,928	-	-
Money market funds	300,528	300,528	-	-
<b>TOTAL</b>	<u>\$ 4,269,375</u>	<u>\$ 4,269,375</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 13 – PRIOR PERIOD ADJUSTMENT**

During 2018, management discovered financial statement errors that caused an overstatement of December 31, 2017 report without donor restriction net assets of \$1,231,342.

The following summaries the prior period adjustment referred to above:

Balance as of December 31, 2017, as previously reported	\$ 11,949,912
Removal of the Children's Museum in fixed assets	(1,374,984)
Revenue recorded as deferred revenue at December 31, 2017	<u>143,642</u>
Ending balance	<u>\$ 10,718,570</u>

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 14 – COMMITMENTS, CONTIGENCIES & RISKS AND UNCERTAINTIES**

Commitments - The Center is committed to several exhibits over the next several years. The exhibits include the Chihuly/Mongrain *Inspiration* exhibit (2020) for \$50,000, the *DaVinci Machines and Robotics* exhibit (2022) for \$250,000 and the Victor Keen *Outsider* exhibit (2019) which is being underwritten by Victor Keen.

Concentration of Credit Risk - The Center's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000 per institution. Investment balances are covered by the Securities Investor Protection Corporation (SIPC) up to a limit of \$500,000. In addition, Stifel Nicolaus has obtained increased coverage in amounts totaling \$150 million per account, which includes \$1 million coverage for cash. Cash in excess of the FDIC limit equaled \$73,324 at December 31, 2018. The Center's investment balances did not exceed SIPC insurance limits as of December 31, 2018.

**SUPPLEMENTARY INFORMATION**

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 375,103	926	\$ 376,029
Accounts receivables	205,783	-	205,783
Unconditional promises to give, net	1,300	-	1,300
Prepaid expenses	63,963	-	63,963
Investments	1,606,003	2,663,372	4,269,375
Inventories	11,362	-	11,362
Land	18,500	-	18,500
Leasehold improvements	1,032,535	-	1,032,535
Furniture and equipment	242,811	-	242,811
Accumulated depreciation	(872,310)	-	(872,310)
Art collection	<u>5,018,876</u>	<u>-</u>	<u>5,018,876</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,703,926</u></b>	<b><u>\$ 2,664,298</u></b>	<b><u>\$ 10,368,224</u></b>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 8,396	\$ -	\$ 8,396
Accrued payroll and expenses	63,975	-	63,975
Deferred revenue	<u>41,435</u>	<u>-</u>	<u>41,435</u>
<b>TOTAL LIABILITIES</b>	<u>113,806</u>	<u>-</u>	<u>113,806</u>
 <b>NET ASSETS</b>			
Without Donor Restrictions			
Undesignated	546,936	-	546,936
Board designated	<u>6,349,479</u>	<u>199,587</u>	<u>6,549,066</u>
Total without donor restrictions	6,896,415	199,587	7,096,002
With Donor Restrictions			
Purpose and time restrictions	<u>693,705</u>	<u>2,464,711</u>	<u>3,158,416</u>
Total with donor restrictions	<u>693,705</u>	<u>2,464,711</u>	<u>3,158,416</u>
<b>TOTAL NET ASSETS</b>	<u>7,590,120</u>	<u>2,664,298</u>	<u>10,254,418</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,703,926</u></b>	<b><u>\$ 2,664,298</u></b>	<b><u>\$ 10,368,224</u></b>

The accompanying notes are an integral part of these statements.

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Public Support			
Contributions	\$ 435,099	\$ -	\$ 435,099
Government grants	678,152	-	678,152
Grants	101,450	-	101,450
Sales	186,813	-	186,813
Less Cost of goods sold	<u>(18,632)</u>	<u>-</u>	<u>(18,632)</u>
	168,181	-	168,181
Admissions	233,772	-	233,772
Classes	150,501	-	150,501
Membership revenue	146,130	-	146,130
Rental of facilities	235,160	-	235,160
Transfer from investment	200,000	(200,000)	-
Travel tour income	15,615	-	15,615
Investment income	78,322	168,490	246,812
Unrealized gain(loss) on investments	(141,565)	(277,466)	(419,031)
Miscellaneous	15,233	-	15,233
In-kind contributions	<u>1,009,272</u>	<u>-</u>	<u>1,009,272</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u><b>3,325,322</b></u>	<u><b>(308,976)</b></u>	<u><b>3,016,346</b></u>
<b>EXPENSES</b>			
Program expenses			
Education	334,400	-	334,400
Exhibition	398,411	-	398,411
Performance	249,703	-	249,703
Facilities rental	403,206	-	403,206
Children's museum	353,949	-	353,949
Supporting Services			
General and administrative	1,602,572	-	1,602,572
Fundraising	138,071	-	138,071
Miscellaneous	-	186	186
<b>TOTAL EXPENSES</b>	<u><b>3,480,312</b></u>	<u><b>186</b></u>	<u><b>3,480,498</b></u>
<b>CHANGE IN NET ASSETS</b>	<u><b>(154,990)</b></u>	<u><b>(309,162)</b></u>	<u><b>(464,152)</b></u>
<b>NET ASSETS AT BEGINNING OF YEAR-RESTATED</b>	<u><b>7,745,110</b></u>	<u><b>2,973,460</b></u>	<u><b>10,718,570</b></u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 7,590,120</b></u>	<u><b>\$ 2,664,298</b></u>	<u><b>\$ 10,254,418</b></u>

The accompanying notes are an integral part of these statements.