

SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.
CONSOLIDATED FINANCIAL STATEMENTS
REPORT OF INDEPENDENT AUDITOR
DECEMBER 31, 2015 AND 2014

Bain & Jones

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Sangre de Cristo Arts and Conference Center, Inc
Consolidated Financial Statements
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December 31, 2015 and 2014

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Independent Auditor's Report

Board of Directors
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, 2015 and 2014, 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 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, 2015 and 2014, 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.

Other-Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements of financial position, consolidating statements of activities and the schedule of support, revenue and expenses on pages 15-19 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Bain + Jones, CPAs

Pueblo, Colorado
November 29, 2016

Sangre de Cristo Arts and Conference Center, Inc.
Consolidated Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 157,948	\$ 278,282
Investments	4,745,071	4,894,535
Accounts receivable	15,466	78,331
Pledges receivable (net of allowance \$0 for 2015 and \$560 for 2014)	5,250	10,640
Inventories	11,028	25,812
Prepaid expenses	100,323	9,240
Total current assets	5,035,086	5,296,840
Property and Equipment		
Land	18,500	18,500
Buildings	2,444,220	2,444,220
Leasehold improvements	1,135,093	1,131,353
Furniture and equipment	1,254,379	1,236,965
	4,852,192	4,831,038
Accumulated depreciation	(2,849,820)	(2,725,572)
Net property and equipment	2,002,372	2,105,466
Other assets		
Long term pledges receivable (net of allowance & discounts \$200 for 2015 and \$1,815 for 2014)	5,800	28,235
Art collection	4,920,078	4,920,078
Total other assets	4,925,878	4,948,313
Total Assets	\$ 11,963,336	\$ 12,350,619
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 32,642	\$ 60,288
Accrued liabilities	99,717	70,736
Deferred revenue	41,081	268,385
Total Current Liabilities	173,440	399,409
Net Assets		
Unrestricted		
Operating	655,527	986,458
Board designated	6,021,197	5,673,910
Fixed assets	2,002,372	2,105,466
	8,679,096	8,765,834
Temporarily restricted	3,064,325	3,138,901
Permanently restricted	46,475	46,475
Total Net Assets	11,789,896	11,951,210
Total Liabilities and Net Assets	\$ 11,963,336	\$ 12,350,619

See accompanying notes to financial statements.

Sangre de Cristo Arts and Conference Center, Inc.
Consolidated Statements of Activities
Years Ended December 31, 2015 and 2014

	2015	2014
Changes in Unrestricted Net assets		
Support and revenue		
Contributions	\$ 520,175	\$ 260,723
Government appropriations	535,655	302,872
Grants	145,218	93,068
Membership fees	163,538	145,896
Contributed services and maintenance	-	461,971
Ticket sales	261,009	231,718
Education	143,645	163,558
Merchandise sales	211,482	199,996
Rentals	206,407	175,764
Investment income	194,542	286,695
Unrealized gain (loss) on investments	(91,448)	(51,600)
Miscellaneous	53,688	28,916
Net assets released from restrictions	28,643	202,981
Total unrestricted support and revenue	2,372,554	2,502,558
Expenses		
Program		
Education	413,884	384,547
Exhibition	309,928	251,124
Performance	264,930	243,015
Facilities rental	226,469	251,894
Children's museum	270,373	340,580
Supporting services		
General administration	899,164	1,065,228
Fund raising	41,439	26,548
Cost of merchandise sales and related expenses	41,114	7,658
Total expenses	2,467,301	2,570,594
Change in unrestricted net assets	(94,747)	(68,036)
Changes in Temporarily Restricted Net Assets		
Contributions and grants	69,780	209,375
Investment income	17,482	7,608
Unrealized Gain (loss) on investments	(125,186)	46,697
Net assets released from restrictions	(28,643)	(202,981)
Change in temporarily restricted net assets	(66,567)	60,699
Change in total net assets	(161,314)	(7,337)
Net Assets, beginning of year	11,951,210	11,958,547
Net Assets, end of year	\$ 11,789,896	\$ 11,951,210

See accompanying notes to financial statements.

Sangre de Cristo Arts and Conference Center, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Cash received from members	\$ 163,538	\$ 145,896
Cash received from grants, donations and fund raising	1,298,653	665,085
Cash received from admissions, fees and merchandise sales	658,104	911,975
Cash received from other sources	53,688	28,916
Cash paid to employees and suppliers	(2,418,017)	(1,969,661)
Interest, dividends and capital gains received	212,024	297,668
Net cash flows from operating activities	(32,010)	79,879
Cash flows from investing activities		
Capital expenditures	(21,154)	(9,800)
Art purchases	-	(3,000)
Net (purchases) sales/redemptions of investments	(67,170)	34,675
Net cash flows from investing activities	(88,324)	21,875
Net increase (decrease) in cash and cash equivalents	(120,334)	101,754
Cash and cash equivalents - beginning of year	278,282	176,528
Cash and cash equivalents - end of year	\$ 157,948	\$ 278,282
Reconciliation of change in net assets to net cash flows from operating activities		
Change in net assets	\$ (161,314)	\$ (7,337)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	124,248	128,850
Amortization	-	15,070
Contributed art	-	(209,375)
Realized and unrealized (gains) losses on investments	216,634	8,268
(Increase) decrease in receivables	90,690	7,233
(Increase) decrease in inventories	14,784	(897)
(Increase) decrease in prepaid expenses	(91,083)	2,331
Increase (decrease) in payables	(27,646)	(20,474)
Increase (decrease) in accrued liabilities	28,981	14,082
Increase (decrease) in deferred revenue	(227,304)	142,128
Net cash flows from operating activities	\$ (32,010)	\$ 79,879
Supplemental data for noncash activities:		
Contributed art	\$ -	\$ 209,375
Donated county maintenance and other services	\$ -	\$ 461,971

See accompanying notes to financial statements.

Sangre de Cristo Arts and Conference Center, Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

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.

Note 1 - Summary of Significant Accounting Policies

The consolidated financial statements of Sangre de Cristo Arts and Conference Center, Inc. have been prepared using the accrual basis, in accordance with U.S. generally accepted accounting principles as they apply to not-for-profit organizations.

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.

The consolidated financial statements include the accounts of the Sangre de Cristo Arts and Conference Center Endowment, Inc. (Endowment), a separately incorporated organization whose purpose is to receive, hold and manage funds exclusively for the benefit of the Center. All significant intercompany accounts and transactions have been eliminated in the consolidation.

Pursuant to Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) section 958-210-45, the Center is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Unrestricted net assets represent resources over which the board of directors has discretionary control and are used to carry out the operations of the Center in accordance with its bylaws. Revenue and support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the revenue and support is recognized. All other donor restricted revenue and support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In accordance with FASB ASC 958-605-45, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Statements of Cash Flows - for the purposes of the statements of cash flows, cash and cash equivalents include cash on hand, demand deposits and money market accounts. The Center considers all highly liquid investments with original maturity of three months or less to be cash equivalents.

Sangre de Cristo Arts and Conference Center, Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Note 1 - Summary of Significant Accounting Policies (continued)

Concentrations of credit risk - Center 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. The Center's cash, investment and endowment asset balances did not exceed these insurance limits as of December 31, 2015 and 2014.

Center management considers all accounts receivable to be collectible, therefore no allowance for uncollectible accounts receivable has been provided. This is based on excellent collection history.

Unconditional gifts (pledges) expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and is reported as contribution revenue.

Inventories are comprised of items held for sale, catalogs and brochures using physical counts taken at December 31, 2015 and 2014, stated at cost. The first-in, first-out method is used to identify items in inventory.

Investments are stated at market value as determined from broker statements or other sources as of December 31, 2015 and 2014.

Property and equipment are stated at cost, if purchased, or estimated fair market value, if donated. Expenditures for maintenance, repairs and minor replacements are charged to operations, and expenditures for major replacements are capitalized. Capitalized units are depreciated using the straight-line method over the estimated useful lives, which range from 3 years to 31.5 years. Depreciation expense of \$124,248 and \$128,850 was recorded for the years ended December 31, 2015 and 2014, respectively.

Functional allocation of expenses - the costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited, based on predetermined rates.

Income taxes - the Center is exempt from income taxes under section 501(c)(3) of the U.S. Internal Revenue Code and is classified as a public charity (not a private foundation). The Center undertook no unrelated business activities and therefore no provision has been made for income taxes on these financial statements.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the center's tax returns. Management has determined that the center does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the center's tax returns will not be challenged by the taxing authorities and that the center will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the center's tax returns remain open for federal income tax examination for three years from the date of filing.

Sangre de Cristo Arts and Conference Center, Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Note 2 - Pledges Receivable

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 5,250	\$ 11,200
Receivable in one to five years	6,000	29,050
Receivable in over five years	<u>-</u>	<u>1,000</u>
Total pledges receivable	11,250	41,250
Less allowance for uncollectible	(200)	(2,063)
Less discounts to net present value	<u>-</u>	<u>(312)</u>
Net pledges receivable	<u>\$ 11,050</u>	<u>\$ 38,875</u>

A .5% discount rate was used to adjust to net present value for 2014. No present value adjustment was deemed necessary for 2015 due to the immaterial nature of the potential adjustment.

Note 3 - Investments

Investments are stated at fair market value and consist of cash equivalents, corporate/government bonds and mutual funds. Investments are recorded at cost when purchased or at fair market value at date of donation for donated securities. Unrealized gains and losses are included in the change in net assets. Investments as of December 31, 2015 are summarized as follows:

	<u>Cost</u>	<u>FMV</u>
Cash equivalents	\$ 105,692	\$ 105,692
Corporate/government bonds	196,255	195,563
Mutual funds	<u>3,982,224</u>	<u>4,443,816</u>
	<u>\$4,284,171</u>	<u>\$4,745,071</u>

Investments as of December 31, 2014 are summarized as follows:

	<u>Cost</u>	<u>FMV</u>
Corporate bonds	\$ 212,267	\$ 214,732
Mutual funds	<u>3,984,047</u>	<u>4,679,803</u>
	<u>\$4,196,314</u>	<u>\$4,894,535</u>

2015 earnings on investments are summarized as follows:

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
Interest	\$ 10	\$ 29	\$ 39
Dividends	42,569	57,645	100,214
Realized capital gains (losses)	37,960	73,799	111,759
Unrealized gain (loss)	<u>(87,135)</u>	<u>(129,499)</u>	<u>(216,634)</u>
	<u>\$ (6,596)</u>	<u>\$ 1,974</u>	<u>\$ (4,622)</u>

2014 earnings on investments are summarized as follows:

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
Interest	\$ 1,184	\$ 35	\$ 1,219
Dividends	40,554	62,929	103,483
Realized capital gains (losses)	112,478	77,123	189,601
Unrealized gain (loss)	<u>(57,593)</u>	<u>52,690</u>	<u>(4,903)</u>
	<u>\$ 96,623</u>	<u>\$ 192,777</u>	<u>\$ 289,400</u>

Sangre de Cristo Arts and Conference Center, Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Note 4 - 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 temporarily restricted net assets 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:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$4,920,078	\$4,707,703
Donated works of art	-	209,375
Purchased works of art	-	3,000
Ending balance	<u>\$4,920,078</u>	<u>\$4,920,078</u>

Note 5 - Prepaid Lease

The Center transferred land, buildings and other assets to Pueblo County on December 24, 1973, in exchange for the Center's lease of the land and buildings. The estimated value of the leased land and buildings is \$424,816 and the lease expired December 31, 2014. Lease amortization for the year ended December 31, 2014 equaled \$15,070. Management is negotiating a new lease agreement, but it was not finalized as of December 31, 2015.

Note 6 - Accrued Compensated Absences

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 rates 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. Accrued compensated absences equaled \$57,417 at December 31, 2015 and \$69,139 at December 31, 2014.

Note 7 - Contributed Services and Maintenance

Contributed services consist of gift shop volunteers, docent and other volunteers valued at \$8.23 per hour for the year ended December 31, 2014, totaling \$40,971. While volunteers are an integral part of the operation of the Center, management no longer has a system to track volunteer hours; therefore, no contributed services were recorded for the year ended December 31, 2015.

The Center premises are located in government-owned buildings. Contributed maintenance consists of the government paid costs of maintaining the buildings and is recorded in like amounts of revenue and expense, \$0 for 2015 and \$421,000 for 2014. As of August 1, 2014, Pueblo County no longer provided contributed maintenance. The Center received \$419,925 and \$200,000 from the County, for 2015 and 2014, respectively, classified as government appropriations, to off-set maintenance expenses.

Sangre de Cristo Arts and Conference Center, Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Note 8 – Employee Retirement Plan

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 \$7,436 and \$6,058 for the years ended December 31, 2015 and 2014, respectively. 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.

Note 9 - Designated and Restricted Net Assets

Unrestricted net assets include funds which have been designated by the governing board for specific purposes, summarized as follows at December 31, 2015:

King Endowment – The governing board established this reserve from a \$630,540 gift received from the Francis and Mildred King estate plus earnings, balance equaling \$895,328 and \$968,967 as of December 31, 2015 and 2014, respectively. The earnings from this gift are used to assist funding the Francis King Collection.

Art Collection – The art collection is not a spendable resource. The governing board established this designation to continue maintaining the works of art collection.

Temporarily restricted net assets include donations, gifts and grants from several sources that are donor restricted with primarily purpose restrictions. Other temporarily restricted funds are as follows:

Snyder Acquisition Fund – The Center established this fund as a result of the sale of real property and restaurant facilities donated to the Center. The corpus consists of principal payments received on a note receivable from the sale of the property plus one half of the interest payments. The corpus was to be used only for the production of income until June 2007. After that date, at the discretion of the governing board, the corpus may be retained or used for acquisitions. The income consists of the other half of the interest collected on the note, plus other investment earnings from the corpus. The use of the income is restricted to acquisitions and conservation of fine art.

Hill Endowment – The donor requires the principal of the endowment to be retained and invested and the earnings thereon be used to provide scholarships to deserving students in the Center's classes and workshops.

Pueblo Day Nursery Children's Paws Endowment – The donor required the establishment of an endowment for the purpose of providing additional funding for Children's Museum.

Sangre de Cristo Arts And Conference Center Endowment, Inc. – The principal of the endowment is to be retained and invested until January 1, 2033, or such later date as may be determined by the governing board of the Center. Ordinary income and capital gains are distributed quarterly to the Center for operations to the extent of the amount budgeted or otherwise approved by the board. During 2015, transfers for this purpose equaled \$120,000 (\$120,000 during 2014).

Sangre de Cristo Arts and Conference Center, Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Note 10 - Temporarily and Permanently Restricted Net Assets

Permanently restricted net assets consist of certain endowment assets required to be held indefinitely.

Temporarily restricted net assets consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Restricted for acquisition of works of art	\$ 264,455	\$ 193,680
Restricted for other specific purposes	211,315	211,311
Restricted for capital projects	203,417	197,960
Restricted for long term investment	<u>2,385,138</u>	<u>2,535,950</u>
	<u>\$3,064,325</u>	<u>\$3,138,901</u>

Net assets were released from restrictions by purpose restrictions being accomplished, specifically, the restriction was satisfied by incurring expenses equaling \$28,643 for 2015 and \$202,981 for 2014.

Permanently restricted net assets consist of the following at December 31, 2015 and 2014:

Restricted for investment in perpetuity	<u>\$ 46,475</u>
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Note 11 - Endowment Assets

Net Asset Classification: The Center's endowment assets consist of several funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. 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, both donor restricted and board designated are described in Notes 9 and 10. 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 temporarily restricted; if the corpus never becomes available for spending, it will be reported as permanently restricted. In addition, contributions that are promised to be given in a future period are presented as temporarily restricted until the payments are due.

Sangre de Cristo Arts and Conference Center, Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Note 11 - Endowment Assets (continued)

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.

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 ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, beg of year	\$ 1,188,531	\$ 3,138,901	\$ 46,475	\$ 4,373,907
Interest and dividends	156,686	76,236		232,922
Net appreciation (depreciation)		(150,812)		(150,812)
Amounts appropriated for expenditure	(240,089)			(240,089)
Endowment Net Assets, end of year	<u>\$ 1,105,128</u>	<u>\$ 3,064,325</u>	<u>\$ 46,475</u>	<u>\$ 4,215,928</u>

Endowment Net Assets Composition by Type of Fund

As of December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ -	\$ 3,064,325	\$ 46,475	\$ 3,110,800
Undesignated	4,009			4,009
Board designated	1,101,119			1,101,119
Total endowment funds	<u>\$ 1,105,128</u>	<u>\$ 3,064,325</u>	<u>\$ 46,475</u>	<u>\$ 4,215,928</u>

Sangre de Cristo Arts and Conference Center, Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Note 11 - Endowment Assets (continued)

Changes in Endowment Net Assets

For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, beg of year	\$ 1,177,530	\$ 3,078,202	\$ 46,475	\$ 4,302,207
Interest and dividends	182,602	11,009		193,611
Net appreciation		52,690		52,690
Amounts appropriated for expenditure	(171,601)	(3,000)		(174,601)
Endowment Net Assets, end of year	<u>\$ 1,188,531</u>	<u>\$ 3,138,901</u>	<u>\$ 46,475</u>	<u>\$ 4,373,907</u>

Endowment Net Assets Composition by Type of Fund

As of December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ -	\$ 3,138,901	\$ 46,475	\$ 3,185,376
Undesignated	4,009			4,009
Board designated	<u>1,184,522</u>			<u>1,184,522</u>
Total endowment funds	<u>\$ 1,188,531</u>	<u>\$ 3,138,901</u>	<u>\$ 46,475</u>	<u>\$ 4,373,907</u>

Note 12 - Subsequent Events

Subsequent events have been evaluated through November 29, 2016, which is the date the financial statements were available to be issued.

Note 13 - Fair Value Measurement

The Center's financial instruments consist primarily of cash, investments, receivables, accounts payable and accrued liabilities.

The carrying amount of cash, receivables, accounts payable and accrued liabilities approximate their fair value due to the short-term nature of such instruments.

The Center uses the following hierarchical disclosure framework pursuant to FASB ASC section 820 for the fair value measurement of its investments:

Level 1—Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2—Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Measurement based on Sangre de Cristo Arts and Conference Center's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

Sangre de Cristo Arts and Conference Center, Inc.
Notes to Consolidated Financial Statements
December 31, 2015 and 2014

Note 13 - Fair Value Measurement (continued)

The Center uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

The Center's investments are valued at quoted market prices for identical assets. The valuations of the Center's investments according to the fair value hierarchy are summarized as follows:

<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Cash equivalents	\$ 105,693	\$ -	\$ -	\$ 105,693
Corporate/government bonds	195,562	-	-	195,562
Mutual funds	<u>4,443,816</u>	<u>-</u>	<u>-</u>	<u>4,443,816</u>
Totals	<u>\$4,745,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,745,071</u>
<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Totals</u>
Corporate/government bonds	\$ 214,732	\$ -	\$ -	\$ 214,732
Mutual funds	<u>4,679,803</u>	<u>-</u>	<u>-</u>	<u>4,679,803</u>
Totals	<u>\$4,894,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,894,535</u>

Supplemental Information

Sangre de Cristo Arts and Conference Center, Inc.
Consolidating Statement of Financial Position
December 31, 2015

	Arts Center	Endowment	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 155,264	\$ 2,684	\$ 157,948
Investments	2,114,200	2,630,871	4,745,071
Accounts receivable	15,466		15,466
Pledges receivable	5,250		5,250
Inventories	11,028		11,028
Prepaid expenses	100,323		100,323
Total current assets	2,401,531	2,633,555	5,035,086
Property and Equipment			
Land	18,500		18,500
Buildings	2,444,220		2,444,220
Leasehold improvements	1,135,093		1,135,093
Furniture and equipment	1,254,379		1,254,379
	4,852,192	-	4,852,192
Accumulated depreciation	(2,849,820)	-	(2,849,820)
Net property and equipment	2,002,372	-	2,002,372
Other assets			
Long term pledges receivable (net of allowance \$200)	5,800		5,800
Art collection	4,920,078		4,920,078
Total other assets	4,925,878	-	4,925,878
Total Assets	\$ 9,329,781	\$ 2,633,555	\$ 11,963,336
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 32,642	\$ -	\$ 32,642
Accrued liabilities	99,717		99,717
Deferred revenue	41,081		41,081
Total Current Liabilities	173,440	-	173,440
Net Assets			
Unrestricted			
Operating	655,527		655,527
Board designated	5,815,406	205,791	6,021,197
Fixed assets	2,002,372		2,002,372
	8,473,305	205,791	8,679,096
Temporarily restricted	636,561	2,427,764	3,064,325
Permanently restricted	46,475		46,475
Total Net Assets	9,156,341	2,633,555	11,789,896
Total Liabilities and Net Assets	\$ 9,329,781	\$ 2,633,555	\$ 11,963,336

See accompanying notes to financial statements.

Sangre de Cristo Arts and Conference Center, Inc.
Consolidating Statement of Financial Position
December 31, 2014

	Arts Center	Endowment	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 227,101	\$ 51,181	\$ 278,282
Investments	2,194,213	2,700,322	4,894,535
Accounts receivable	78,329		78,329
Pledges receivable (net of allowance \$560)	10,640		10,640
Other receivables	-	2	2
Inventories	25,812		25,812
Prepaid expenses	9,240		9,240
Total current assets	<u>2,545,335</u>	<u>2,751,505</u>	<u>5,296,840</u>
Property and Equipment			
Land	18,500		18,500
Buildings	2,444,220		2,444,220
Leasehold improvements	1,131,353		1,131,353
Furniture and equipment	1,236,965		1,236,965
	<u>4,831,038</u>	<u>-</u>	<u>4,831,038</u>
Accumulated depreciation	<u>(2,725,572)</u>	<u>-</u>	<u>(2,725,572)</u>
Net property and equipment	<u>2,105,466</u>	<u>-</u>	<u>2,105,466</u>
Other assets			
Long term pledges receivable (net of allowance & discounts \$1,815)	28,235		28,235
Art collection	4,920,078		4,920,078
Total other assets	<u>4,948,313</u>	<u>-</u>	<u>4,948,313</u>
Total Assets	<u><u>\$ 9,599,114</u></u>	<u><u>\$ 2,751,505</u></u>	<u><u>\$ 12,350,619</u></u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 60,288	\$ -	\$ 60,288
Accrued liabilities	70,736		70,736
Deferred revenue	268,385		268,385
Total Current Liabilities	<u>399,409</u>	<u>-</u>	<u>399,409</u>
Net Assets			
Unrestricted			
Operating	986,458		986,458
Board designated	5,458,355	215,555	5,673,910
Fixed assets	2,105,466		2,105,466
	<u>8,550,279</u>	<u>215,555</u>	<u>8,765,834</u>
Temporarily restricted	602,951	2,535,950	3,138,901
Permanently restricted	46,475		46,475
Total Net Assets	<u>9,199,705</u>	<u>2,751,505</u>	<u>11,951,210</u>
Total Liabilities and Net Assets	<u><u>\$ 9,599,114</u></u>	<u><u>\$ 2,751,505</u></u>	<u><u>\$ 12,350,619</u></u>

See accompanying notes to financial statements.

Sangre de Cristo Arts and Conference Center, Inc.
Consolidating Statement of Activities
Year Ended December 31, 2015

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
Changes in Unrestricted Net assets			
Support and revenue			
Contributions	\$ 520,175	\$ -	\$ 520,175
Government appropriations	535,655		535,655
Grants	145,218		145,218
Membership fees	163,538		163,538
Ticket sales	261,009		261,009
Education	143,645		143,645
Merchandise sales	211,482		211,482
Rentals	206,407		206,407
Investment income	74,076	120,466	194,542
Unrealized gain (loss) on investments	(81,142)	(10,306)	(91,448)
Miscellaneous	53,612	76	53,688
Net assets released from restrictions	28,643		28,643
Total unrestricted support and revenue	<u>2,262,318</u>	<u>110,236</u>	<u>2,372,554</u>
Expenses			
Program			
Education	413,884		413,884
Exhibition	309,928		309,928
Performance	264,930		264,930
Facilities rental	226,469		226,469
Children's museum	270,373		270,373
Supporting services			
General administration	899,164		899,164
Fund raising	41,439		41,439
Cost of merchandise sales and related expenses	41,114		41,114
Total expenses	<u>2,467,301</u>	<u>-</u>	<u>2,467,301</u>
Change in unrestricted net assets	<u>(204,983)</u>	<u>110,236</u>	<u>(94,747)</u>
Changes in Temporarily Restricted Net Assets			
Contributions and grants	69,780		69,780
Investment income	6,475	11,007	17,482
Unrealized gain (loss) on investments	(5,993)	(119,193)	(125,186)
Net assets released from restrictions	<u>(28,643)</u>		<u>(28,643)</u>
Change in temporarily restricted net assets	<u>41,619</u>	<u>(108,186)</u>	<u>(66,567)</u>
Change in total net assets	(163,364)	2,050	(161,314)
Transfers (to) from	120,000	(120,000)	-
Net Assets, beginning of year	<u>9,199,705</u>	<u>2,751,505</u>	<u>11,951,210</u>
Net Assets, end of year	<u><u>\$ 9,156,341</u></u>	<u><u>\$ 2,633,555</u></u>	<u><u>\$ 11,789,896</u></u>

See accompanying notes to financial statements.

Sangre de Cristo Arts and Conference Center, Inc.
Consolidating Statement of Activities
Year Ended December 31, 2014

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
Changes in Unrestricted Net assets			
Support and revenue			
Contributions	\$ 260,723	\$ -	\$ 260,723
Government appropriations	302,872		302,872
Grants	93,068		93,068
Membership fees	145,896		145,896
Contributed services and maintenance	461,971		461,971
Ticket sales	231,718		231,718
Education	163,558		163,558
Merchandise sales	199,996		199,996
Rentals	175,764		175,764
Investment income	146,588	143,472	290,060
Unrealized gain (loss) on investments	(51,600)		(51,600)
Gain (loss) on investments	20	(3,385)	(3,365)
Miscellaneous	28,753	163	28,916
Net assets released from restrictions	<u>202,981</u>		<u>202,981</u>
Total unrestricted support and revenue	<u>2,362,308</u>	<u>140,250</u>	<u>2,502,558</u>
Expenses			
Program			
Education	384,547		384,547
Exhibition	251,124		251,124
Performance	243,015		243,015
Facilities rental	251,894		251,894
Children's museum	340,580		340,580
Supporting services			
General administration	1,065,228		1,065,228
Fund raising	26,548		26,548
Cost of merchandise sales and related expenses	<u>7,658</u>		<u>7,658</u>
Total expenses	<u>2,570,594</u>	<u>-</u>	<u>2,570,594</u>
Change in unrestricted net assets	<u>(208,286)</u>	<u>140,250</u>	<u>(68,036)</u>
Changes in Temporarily Restricted Net Assets			
Contributions and grants	209,375		209,375
Investment income	7,608	-	7,608
Unrealized gain (loss) on investments	(5,993)	52,690	46,697
Net assets released from restrictions	<u>(202,981)</u>		<u>(202,981)</u>
Change in temporarily restricted net assets	<u>8,009</u>	<u>52,690</u>	<u>60,699</u>
Change in total net assets	(200,277)	192,940	(7,337)
Transfers (to) from	120,000	(120,000)	-
Net Assets, beginning of year	<u>9,279,982</u>	<u>2,678,565</u>	<u>11,958,547</u>
Net Assets, end of year	<u>\$ 9,199,705</u>	<u>\$ 2,751,505</u>	<u>\$ 11,951,210</u>

See accompanying notes to financial statements.

Sangre de Cristo Arts and Conference Center, Inc
Schedule of Support, Revenue and Expenses
Year Ended December 31, 2015

	Facilities Rental	Children's Museum	Anniversary	General Admin	School of Dance	SBT
Support and Revenue						
Sales	\$ 75,847	\$ 8,809	\$ 21,687	\$ 229	\$ -	\$ 3,556
Ticket sales		77,039	28,835		3,140	34,551
Classes		15,175			38,736	-
Memberships		-				-
Rental of facilities	206,407					
Box office commissions						
Donations		29,412	44,720	126,536	12,520	800
Grants		39,313	5,000	83,556	-	-
City/County of Pueblo				90,730		
Pueblo County				444,925		
Miscellaneous income	6,076	1,784	-	27,826	104	1,081
Interest income		-		18		
Dividend income		-		11,518		
Capital gains (losses)		-		12,379		
Unrealized gains (losses) on investments				(19,798)		
	<u>288,330</u>	<u>171,532</u>	<u>100,242</u>	<u>777,919</u>	<u>54,500</u>	<u>39,988</u>
Expenses						
Salaries and wages	137,487	175,231	769	170,181	82,884	915
Payroll taxes	11,134	14,191	62	13,782	6,712	74
Employee benefits	14,652	18,675	82	18,136	8,833	98
Contract labor	22,184	8,309	21,539	20,918	33,228	5,693
Board expense				419		-
Consignment		150	-			-
Credit card and bank charges				14,847		-
Depreciation						
Dues and subscriptions		-	-	2,957		-
Event prep/tear down				39,285		-
Fund raising		-	-	275		-
Insurance		-		23,439		-
Misc expense	5,493	387	8,617	13,256	8	15
Purchases	23,629	3,214	1,221			1,408
Personnel procurement				612	-	-
Postage	129	166	1,160	9,869	188	423
Professional services	-	11,600	-	222,396	25	-
Print and publications	3,767	11,746	5,536	22,668	3,113	6,252
Publicity/advertising		4,447	242	24,210	-	-
Public relations		135	-	4,907	357	-
Rental expense	383	-	550	839	-	-
Repairs and maintenance		-	-	33,215	-	-
Scholarships		-			1,051	
Supplies	7,467	19,836	1,661	29,046	1,602	2,905
Taxes and licenses	144	99		2,063	303	-
Telephone				7,826	-	-
Travel and training		2,187	-	6,553	1,079	-
Total Expenses	<u>226,469</u>	<u>270,373</u>	<u>41,439</u>	<u>681,699</u>	<u>139,383</u>	<u>17,783</u>
Excess (Deficit) Revenue over Expense:	<u>\$ 61,861</u>	<u>\$ (98,841)</u>	<u>\$ 58,803</u>	<u>\$ 96,220</u>	<u>\$ (84,883)</u>	<u>\$ 22,205</u>

See accompanying notes to financial statements.

<u>Education</u>	<u>Exhibits</u>	<u>Performing Arts</u>	<u>Box Office</u>	<u>Membership</u>	<u>Gift Shop</u>	<u>All Other</u>	<u>Endowment</u>	<u>Total</u>
\$ -	\$ 16,397	\$ 57,822	\$ -	\$ -	\$ 27,135	\$ -	\$ -	\$ 211,482
-	15,768	100,806	-	870	-	-	-	261,009
89,734	-	-	-	163,538	-	-	-	143,645
-	-	-	-	-	-	-	-	163,538
-	-	-	6,933	-	-	-	-	206,407
3,163	245,377	54,984	-	2,663	-	69,780	-	6,933
17,349	-	-	-	-	-	-	-	589,955
-	-	-	-	-	-	-	-	145,218
-	-	-	-	-	-	-	-	90,730
85	4,934	1,494	2,795	500	-	-	76	444,925
-	-	-	-	-	-	-	29	46,755
-	-	-	-	-	-	4	29	51
-	-	-	-	-	-	31,051	57,645	100,214
-	-	-	-	-	-	25,581	73,799	111,759
-	-	-	-	-	-	(67,337)	(129,499)	(216,634)
<u>110,331</u>	<u>282,476</u>	<u>215,106</u>	<u>9,728</u>	<u>167,571</u>	<u>27,135</u>	<u>59,079</u>	<u>2,050</u>	<u>2,305,987</u>
135,130	154,081	72,501	1,327	68,683	4,533	-	-	1,003,722
10,943	12,478	5,871	107	5,562	367	-	-	81,283
14,401	16,421	7,727	141	7,320	483	-	-	106,969
69,264	9,183	88,125	-	1,190	-	-	-	279,633
-	-	-	-	-	-	-	-	419
-	14,061	-	-	-	17,557	-	-	31,768
-	-	-	-	-	759	-	-	15,606
-	-	-	-	-	-	124,248	-	124,248
-	-	-	-	-	-	-	-	2,957
-	-	-	-	-	-	-	-	39,285
-	-	-	-	-	-	-	-	275
-	4,345	-	-	-	-	-	-	27,784
2,085	26,056	10,597	-	135	62	-	-	66,711
-	96	26,114	-	33	16,190	-	-	71,905
-	-	-	-	-	-	-	-	612
42	3,821	1,071	271	3,505	79	-	-	20,724
-	99	533	-	-	-	-	-	234,653
14,190	50,116	44,230	-	5,228	437	-	-	167,283
-	-	-	-	-	-	-	-	28,899
19	900	-	-	-	-	-	-	6,318
-	809	75	-	114	-	-	-	2,770
-	-	-	-	-	-	-	-	33,215
1,164	-	-	-	-	-	-	-	2,215
9,480	13,122	1,597	1,238	1,447	647	-	-	90,048
-	-	1,688	-	-	-	-	-	4,297
-	-	-	-	-	-	-	-	7,826
-	4,340	1,717	-	-	-	-	-	15,876
<u>256,718</u>	<u>309,928</u>	<u>261,846</u>	<u>3,084</u>	<u>93,217</u>	<u>41,114</u>	<u>124,248</u>	<u>-</u>	<u>2,467,301</u>
<u>\$ (146,387)</u>	<u>\$ (27,452)</u>	<u>\$ (46,740)</u>	<u>\$ 6,644</u>	<u>\$ 74,354</u>	<u>\$ (13,979)</u>	<u>\$ (65,169)</u>	<u>\$ 2,050</u>	<u>\$ (161,314)</u>