

**SANGRE DE CRISTO ARTS AND CONFERENCE CENTER, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**REPORT OF INDEPENDENT AUDITOR**  
**DECEMBER 31, 2016 AND 2015**

**Bain & Jones**

Certified Public Accountants

**Donald R. Bain**  
**4448 Turnberry Crescent**  
**Pueblo, Colorado 81001**  
**719/740-0156**

**Tom E. Jones**  
**531 West Hackberry Street**  
**Louisville, Colorado 80027**  
**303/665-3655**

**Sangre de Cristo Arts and Conference Center, Inc**  
**Consolidated Financial Statements**  
**Table of Contents**  
**December 31, 2016 and 2015**

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-13
Supplemental Information	
Consolidating Statements of Financial Position	14-15
Consolidating Statements of Activities	16-17
Schedule of Support, Revenue and Expenses	18

# Bain & Jones

Certified Public Accountants

Donald R. Bain  
4448 Turnberry Crescent  
Pueblo, Colorado 81001  
719/740-0156

Tom E. Jones  
531 West Hackberry Street  
Louisville, Colorado 80027  
303/665-3655

## **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, 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 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, 2016 and 2015, 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  
May 19, 2017

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Consolidated Statements of Financial Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 335,581	\$ 157,948
Investments	4,351,470	4,745,071
Accounts receivable	36,545	15,466
Pledges receivable (net of allowance \$100 for 2016 and \$0 for 2015)	3,900	5,250
Inventories	12,606	11,028
Prepaid expenses	44,596	100,323
Total current assets	4,784,698	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	1,349,429	1,254,379
	4,947,242	4,852,192
Accumulated depreciation	(2,996,541)	(2,849,820)
Net property and equipment	1,950,701	2,002,372
Other assets		
Long term pledges receivable (net of allowance of \$100 for 2016 and \$200 for 2015)	3,900	5,800
Art collection	4,993,946	4,920,078
Total other assets	4,997,846	4,925,878
<b>Total Assets</b>	<b>\$ 11,733,245</b>	<b>\$ 11,963,336</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 2,390	\$ 32,642
Accrued liabilities	63,556	99,717
Deferred revenue	137,393	41,081
Total Current Liabilities	203,339	173,440
Net Assets		
Unrestricted		
Operating	400,238	683,606
Board designated	6,083,157	6,021,197
Fixed assets	1,950,701	2,002,372
	8,434,096	8,707,175
Temporarily restricted	3,049,335	3,036,246
Permanently restricted	46,475	46,475
	3,095,810	3,082,721
Total Net Assets	11,529,906	11,789,896
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,733,245</b>	<b>\$ 11,963,336</b>

See accompanying notes to financial statements.

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Consolidated Statements of Activities**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Changes in Unrestricted Net assets</b>		
Support and revenue		
Contributions	\$ 372,633	\$ 520,175
Government appropriations	548,911	535,655
Grants	62,000	145,218
Membership fees	152,056	163,538
In-kind revenue	5,135	-
Ticket sales	321,254	261,009
Education	172,543	143,645
Merchandise sales	210,991	211,482
Rentals	209,853	206,407
Investment income	153,714	194,542
Unrealized gain (loss) on investments	23,016	(91,448)
Miscellaneous	81,274	53,688
Net assets released from restrictions	214,018	28,643
Total unrestricted support and revenue	2,527,398	2,372,554
Expenses		
Program		
Education	509,439	413,884
Exhibition	389,105	309,928
Performance	237,018	264,930
Facilities rental	300,242	226,469
Children's museum	275,644	270,373
Supporting services		
General administration	1,030,507	899,164
Fund raising	32,510	41,439
Cost of merchandise sales and related expenses	26,012	41,114
Total expenses	2,800,477	2,467,301
Change in unrestricted net assets	(273,079)	(94,747)
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions and grants	74,168	69,780
Investment income	9,936	17,482
Unrealized Gain (loss) on investments	143,003	(125,186)
Net assets released from restrictions	(214,018)	(28,643)
Change in temporarily restricted net assets	13,089	(66,567)
<b>Change in total net assets</b>	(259,990)	(161,314)
<b>Net Assets, beginning of year</b>	11,789,896	11,951,210
<b>Net Assets, end of year</b>	\$ 11,529,906	\$ 11,789,896

See accompanying notes to financial statements.

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Cash received from members	\$ 152,056	\$ 163,538
Cash received from grants, donations and fund raising	987,094	1,298,653
Cash received from admissions, fees and merchandise sales	989,874	658,104
Cash received from other sources	81,274	53,688
Cash paid to employees and suppliers	(2,660,885)	(2,418,017)
Interest, dividends and capital gains received	163,650	212,024
<b>Net cash flows from operating activities</b>	<b>(286,937)</b>	<b>(32,010)</b>
<b>Cash flows from investing activities</b>		
Capital expenditures	(95,050)	(21,154)
Net (purchases) sales/redemptions of investments	559,620	(67,170)
<b>Net cash flows from investing activities</b>	<b>464,570</b>	<b>(88,324)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	177,633	(120,334)
<b>Cash and cash equivalents - beginning of year</b>	157,948	278,282
<b>Cash and cash equivalents - end of year</b>	<b>\$ 335,581</b>	<b>\$ 157,948</b>
Reconciliation of change in net assets to net cash flows from operating activities		
Change in net assets	\$ (259,990)	\$ (161,314)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	146,721	124,248
Contributed art	(73,868)	-
Realized and unrealized (gains) losses on investments	(166,019)	216,634
(Increase) decrease in receivables	(17,829)	90,690
(Increase) decrease in inventories	(1,578)	14,784
(Increase) decrease in prepaid expenses	55,727	(91,083)
Increase (decrease) in payables	(30,252)	(27,646)
Increase (decrease) in accrued liabilities	(36,161)	28,981
Increase (decrease) in deferred revenue	96,312	(227,304)
<b>Net cash flows from operating activities</b>	<b>\$ (286,937)</b>	<b>\$ (32,010)</b>
Supplemental data for noncash activities:		
Contributed art	\$ 73,868	\$ -
In-kind	\$ 5,135	\$ -

See accompanying notes to financial statements.

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

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, 2016 and 2015**

**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. Cash in excess of the FDIC limit equaled \$66,085 and \$0 at December 31, 2016 and 2015, respectively. The Center's investment and endowment asset balances did not exceed these insurance limits as of December 31, 2016 and 2015.

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, 2016 and 2015, 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, 2016 and 2015.

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 \$146,721 and \$124,248 was recorded for the years ended December 31, 2016 and 2015, 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, 2016 and 2015**

**Note 2 - Pledges Receivable**

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 4,000	\$ 5,250
Receivable in one to five years	4,000	6,000
Receivable in over five years	-	-
Total pledges receivable	<u>8,000</u>	<u>11,250</u>
Less allowance for uncollectible	(200)	(200)
Less discounts to net present value	-	-
Net pledges receivable	<u>\$ 7,800</u>	<u>\$ 11,050</u>

No present value adjustment was deemed necessary for 2016 or 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, 2016 are summarized as follows:

	<u>Cost</u>	<u>FMV</u>
Cash equivalents	\$ 112,983	\$ 112,983
Corporate/government bonds	181,261	182,709
Mutual funds	<u>3,491,312</u>	<u>4,055,778</u>
	<u>\$3,785,556</u>	<u>\$4,351,470</u>

Investments as of December 31, 2015 are summarized as follows:

	<u>Cost</u>	<u>FMV</u>
Corporate bonds	\$ 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>

2016 earnings on investments are summarized as follows:

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
Interest	\$ 12	\$ 5	\$ 17
Dividends	39,487	59,978	99,465
Realized capital gains (losses)	21,977	42,191	64,168
Unrealized gain (loss)	<u>53,982</u>	<u>112,037</u>	<u>166,019</u>
	<u>\$ 115,458</u>	<u>\$ 214,211</u>	<u>\$ 329,669</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>

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

**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>2016</u>	<u>2015</u>
Beginning balance	\$4,920,078	\$4,920,078
Donated works of art	<u>73,868</u>	<u>-</u>
Ending balance	<u>\$4,993,946</u>	<u>\$4,920,078</u>

**Note 5 - 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 \$63,556 at December 31, 2016 and \$57,417 at December 31, 2015.

**Note 6 – Deferred Revenue**

Deferred revenue represents funds received in the current year for subsequent year events, summarized as follows:

	<u>2016</u>	<u>2015</u>
Deferred revenue	<u>\$137,393</u>	<u>\$41,081</u>

**Note 7 – In-kind Revenue and Expense**

In-kind represents contributed supplies, recorded in like amounts of revenue and expense based on the fair market value of the goods at time of donation, totaling \$5,135 for the year ended December 31, 2016. Volunteers are an integral part of the operation of the Center, however, management did not track volunteer hours during 2016 or 2015; therefore, no contributed services were recorded.

**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 \$8,786 and \$7,436 for the years ended December 31, 2016 and 2015, 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.

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

**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, 2016:

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 \$901,246 and \$895,328 as of December 31, 2016 and 2015, 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 may be retained or used for acquisitions. The income consists of the 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.

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 Endowment's governing board. 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 Endowment board. During 2016, transfers for this purpose equaled \$120,000 (\$120,000 during 2015).

**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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Restricted for acquisition of works of art	\$ 196,599	\$ 193,750
Restricted for other specific purposes	312,935	211,315
Restricted for capital projects	-	203,417
Restricted for long term investment	<u>2,539,801</u>	<u>2,427,764</u>
	<u>\$3,049,335</u>	<u>\$3,036,246</u>

Net assets were released from restrictions by purpose restrictions being accomplished, specifically, the restriction was satisfied by incurring expenses equaling \$214,018 for 2016 and \$28,643 for 2015.

Permanently restricted net assets consist of the following at December 31, 2016 and 2015:

Restricted for investment in perpetuity	<u>\$ 46,475</u>
---	------------------

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

**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.

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.

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

**Note 11 - Endowment Assets (continued)**

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, beg of year	\$ 1,105,128	\$ 3,036,246	\$ 46,475	\$ 4,187,849
Interest and dividends	140,108	13,260		153,368
Net appreciation (depreciation)	(32,016)	210,538		178,522
Amounts appropriated for expenditure	<u>(120,000)</u>	<u>(210,709)</u>		<u>(330,709)</u>
Endowment Net Assets, end of year	<u>\$ 1,093,220</u>	<u>\$ 3,049,335</u>	<u>\$ 46,475</u>	<u>\$ 4,189,030</u>

**Endowment Net Assets Composition by Type of Fund**

As of December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ -	\$ 3,049,335	\$ 46,475	\$ 3,095,810
Undesignated	4,009			4,009
Board designated	<u>1,089,211</u>			<u>1,089,211</u>
Total endowment funds	<u>\$ 1,093,220</u>	<u>\$ 3,049,335</u>	<u>\$ 46,475</u>	<u>\$ 4,189,030</u>

**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	\$ 3,110,822	\$ 46,475	\$ 4,345,828
Interest and dividends	156,686	76,236		232,922
Net appreciation (depreciation)		(150,812)		(150,812)
Amounts appropriated for expenditure	<u>(240,089)</u>			<u>(240,089)</u>
Endowment Net Assets, end of year	<u>\$ 1,105,128</u>	<u>\$ 3,036,246</u>	<u>\$ 46,475</u>	<u>\$ 4,187,849</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	\$ -	\$ 3,036,246	\$ 46,475	\$ 3,082,721
Undesignated	4,009			4,009
Board designated	<u>1,101,119</u>			<u>1,101,119</u>
Total endowment funds	<u>\$ 1,105,128</u>	<u>\$ 3,036,246</u>	<u>\$ 46,475</u>	<u>\$ 4,187,849</u>

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

**Note 12 - Subsequent Events**

Subsequent events have been evaluated through May 19, 2017, 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.

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:

<b><u>2016</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Totals</u></b>
Cash equivalents	\$ 112,983	\$ -	\$ -	\$ 112,983
Corporate/government bonds	182,709	-	-	182,709
Mutual funds	<u>4,055,778</u>	-	-	<u>4,055,778</u>
Totals	<u>\$4,351,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,351,470</u>
<b><u>2015</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Totals</u></b>
Cash equivalents	\$ 105,693	\$ -	\$ -	\$ 105,693
Corporate/government bonds	195,562	-	-	195,562
Mutual funds	<u>4,443,816</u>	-	-	<u>4,443,816</u>
Totals	<u>\$4,745,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,745,071</u>

## **Supplemental Information**



**Sangre de Cristo Arts and Conference Center, Inc.**  
**Consolidating Statement of Financial Position**  
**December 31, 2016**

	<b>Arts Center</b>	<b>Endowment</b>	<b>Total</b>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 332,896	\$ 2,685	\$ 335,581
Investments	1,626,389	2,725,081	4,351,470
Accounts receivable	36,545		36,545
Pledges receivable (net allowance of \$100)	3,900		3,900
Inventories	12,606		12,606
Prepaid expenses	44,596		44,596
Total current assets	2,056,932	2,727,766	4,784,698
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	1,349,429		1,349,429
	4,947,242	-	4,947,242
Accumulated depreciation	(2,996,541)	-	(2,996,541)
Net property and equipment	1,950,701	-	1,950,701
Other assets			
Long term pledges receivable (net of allowance \$100)	3,900		3,900
Art collection	4,993,946		4,993,946
Total other assets	4,997,846	-	4,997,846
<b>Total Assets</b>	<b>\$ 9,005,479</b>	<b>\$ 2,727,766</b>	<b>\$ 11,733,245</b>
<b>Liabilities and Net Assets</b>			
Current Liabilities			
Accounts payable	\$ 2,390	\$ -	\$ 2,390
Accrued liabilities	63,556		63,556
Deferred revenue	137,393		137,393
Total Current Liabilities	203,339	-	203,339
Net Assets			
Unrestricted			
Operating	400,238		400,238
Board designated	5,895,192	187,965	6,083,157
Fixed assets	1,950,701		1,950,701
	8,246,131	187,965	8,434,096
Temporarily restricted	509,534	2,539,801	3,049,335
Permanently restricted	46,475		46,475
Total Net Assets	8,802,140	2,727,766	11,529,906
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,005,479</b>	<b>\$ 2,727,766</b>	<b>\$ 11,733,245</b>

See accompanying notes to financial statements.

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

	<b>Arts Center</b>	<b>Endowment</b>	<b>Total</b>
<b>Assets</b>			
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 (net of allowance \$0)	5,250		5,250
Inventories	11,028		11,028
Prepaid expenses	100,323		100,323
Total current assets	<u>2,401,531</u>	<u>2,633,555</u>	<u>5,035,086</u>
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	1,254,376		1,254,379
	<u>4,852,192</u>	<u>-</u>	<u>4,852,192</u>
Accumulated depreciation	<u>(2,849,820)</u>	<u>-</u>	<u>(2,849,820)</u>
Net property and equipment	<u>2,002,372</u>	<u>-</u>	<u>2,002,372</u>
Other assets			
Long term pledges receivable (net of allowance & discounts \$200)	5,800		5,800
Art collection	4,920,078		4,920,078
Total other assets	<u>4,925,878</u>	<u>-</u>	<u>4,925,878</u>
<b>Total Assets</b>	<u><u>\$ 9,329,781</u></u>	<u><u>\$ 2,633,555</u></u>	<u><u>\$ 11,963,336</u></u>
<b>Liabilities and Net Assets</b>			
Current Liabilities			
Accounts payable	\$ 32,642	\$ -	\$ 32,642
Accrued liabilities	99,717		99,717
Deferred revenue	41,081		41,081
Total Current Liabilities	<u>173,440</u>	<u>-</u>	<u>173,440</u>
Net Assets			
Unrestricted			
Operating	683,606		683,606
Board designated	5,815,406	205,791	6,021,197
Fixed assets	2,002,372		2,002,372
	<u>8,501,384</u>	<u>205,791</u>	<u>8,707,175</u>
Temporarily restricted	608,482	2,427,764	3,036,246
Permanently restricted	46,475		46,475
Total Net Assets	<u>9,156,341</u>	<u>2,633,555</u>	<u>11,789,896</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 9,329,781</u></u>	<u><u>\$ 2,633,555</u></u>	<u><u>\$ 11,963,336</u></u>

See accompanying notes to financial statements.

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Consolidating Statement of Activities**  
**Year Ended December 31, 2016**

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
<b>Changes in Unrestricted Net assets</b>			
Support and revenue			
Contributions	\$ 372,633	\$ -	\$ 372,633
Government appropriations	548,911		548,911
Grants	62,000		62,000
Membership fees	152,056		152,056
In-kind revenue	5,135		5,135
Ticket sales	321,254		321,254
Education	172,543		172,543
Merchandise sales	210,991		210,991
Rentals	209,853		209,853
Investment income	51,540	102,174	153,714
Unrealized gain (loss) on investments	23,016		23,016
Miscellaneous	81,274	-	81,274
Net assets released from restrictions	214,018		214,018
Total unrestricted support and revenue	<u>2,425,224</u>	<u>102,174</u>	<u>2,527,398</u>
Expenses			
Program			
Education	509,439		509,439
Exhibition	389,105		389,105
Performance	237,018		237,018
Facilities rental	300,242		300,242
Children's museum	275,644		275,644
Supporting services			
General administration	1,030,507		1,030,507
Fund raising	32,510		32,510
Cost of merchandise sales and related expenses	26,012		26,012
Total expenses	<u>2,800,477</u>	<u>-</u>	<u>2,800,477</u>
Change in unrestricted net assets	<u>(375,253)</u>	<u>102,174</u>	<u>(273,079)</u>
<b>Changes in Temporarily Restricted Net Assets</b>			
Contributions and grants	74,168		74,168
Investment income	9,936	-	9,936
Unrealized gain (loss) on investments	30,966	112,037	143,003
Net assets released from restrictions	<u>(214,018)</u>		<u>(214,018)</u>
Change in temporarily restricted net assets	<u>(98,948)</u>	<u>112,037</u>	<u>13,089</u>
<b>Change in total net assets</b>	(474,201)	214,211	(259,990)
Transfers (to) from	120,000	(120,000)	-
<b>Net Assets, beginning of year</b>	<u>9,156,341</u>	<u>2,633,555</u>	<u>11,789,896</u>
<b>Net Assets, end of year</b>	<u>\$ 8,802,140</u>	<u>\$ 2,727,766</u>	<u>\$ 11,529,906</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>
<b>Changes in Unrestricted Net assets</b>			
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>
<b>Changes in Temporarily Restricted Net Assets</b>			
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	(28,643)		(28,643)
Change in temporarily restricted net assets	<u>41,619</u>	<u>(108,186)</u>	<u>(66,567)</u>
<b>Change in total net assets</b>	(163,364)	2,050	(161,314)
Transfers (to) from	120,000	(120,000)	-
<b>Net Assets, beginning of year</b>	<u>9,199,705</u>	<u>2,751,505</u>	<u>11,951,210</u>
<b>Net Assets, end of year</b>	<u>\$ 9,156,341</u>	<u>\$ 2,633,555</u>	<u>\$ 11,789,896</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, 2016**

	<u>Facilities Rental</u>	<u>Children's Museum</u>	<u>Special Events</u>	<u>General Admin</u>	<u>School of Dance</u>	<u>SBT</u>
<b>Support and Revenue</b>						
Sales	\$ 91,126	\$ 10,252	\$ 415	\$ 537	\$ -	\$ 3,772
Ticket sales		79,751	30,445		5,554	37,691
Classes		-			51,039	-
Memberships		-				-
Rental of facilities	209,853					
Box office commissions						
Donations		15,846	76,065	31,701	7,932	3,654
Grants		-	-	55,000	-	-
Public allocations - City of Pueblo				127,911		
Reimbursement - Pueblo County				421,000		
Miscellaneous income	5,664	1,517	2,402	16,249	642	-
In-kind revenue		1,797		513		
Interest income		-		10		
Dividend income		-		10,370		
Capital gains (losses)		-		2,961		
Unrealized gains (losses) on investments				23,016		
	<u>306,643</u>	<u>109,163</u>	<u>109,327</u>	<u>689,268</u>	<u>65,167</u>	<u>45,117</u>
<b>Expenses</b>						
Salaries and wages	170,272	189,677	-	256,894	129,267	-
Payroll taxes	13,921	15,508	-	21,002	10,568	-
Employee benefits	11,785	13,128	-	17,781	8,947	-
Contract labor	50,351	2,519	22,105	26,564	28,519	3,950
Board expense				221		-
Consignment		27	-			-
Credit card and bank charges				19,868		-
Depreciation						
Dues and subscriptions		-	-	2,146		-
Fund raising		-	-	9,146		-
Insurance		-		44,365		-
Misc expense	41	1,257	3,539	32,156	-	395
Purchases	40,661	1,562	-			1,721
Personnel procurement				749	-	-
Postage	53	46	652	9,335	58	-
Professional services	68	10,094	-	160,080	-	-
Print and publications	4,585	20,726	3,163	21,187	5,471	6,528
Publicity/advertising		-	-	33,718	-	-
Public relations		135	-	5,176	-	-
Rental expense	300	-	768	2,156	-	-
Repairs and maintenance		-	-	47,222	-	-
Supplies	8,205	18,917	2,283	58,130	4,631	4,010
Taxes and licenses	-	-		3,930	353	-
Telephone				11,696	-	-
Travel and training		251	-	8,381	580	-
In-kind expense	-	1,797		513		
<b>Total Expenses</b>	<u>300,242</u>	<u>275,644</u>	<u>32,510</u>	<u>792,416</u>	<u>188,394</u>	<u>16,604</u>
<b>Excess (Deficit) Revenue over Expense:</b>	<u>\$ 6,401</u>	<u>\$ (166,481)</u>	<u>\$ 76,817</u>	<u>\$ (103,148)</u>	<u>\$ (123,227)</u>	<u>\$ 28,513</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>
\$ -	\$ 24,926	\$ 47,827	\$ -	\$ -	\$ 32,136	\$ -	\$ -	\$ 210,991
4,683	62,006	99,624		1,500				321,254
121,504	-	-						172,543
				152,056				152,056
			7,689					209,853
9,210	203,885	23,590	-	750		74,168		7,689
7,000	-	-	-	-				446,801
								62,000
								127,911
								421,000
6,455	11,553	8,130	20,969	-	4		-	73,585
899	899					1,027		5,135
						2	5	17
						29,117	59,978	99,465
						19,016	42,191	64,168
						30,966	112,037	166,019
<u>149,751</u>	<u>303,269</u>	<u>179,171</u>	<u>28,658</u>	<u>154,306</u>	<u>32,140</u>	<u>154,296</u>	<u>214,211</u>	<u>2,540,487</u>
179,899	199,828	59,060	11,510	70,890	5,755			1,273,052
14,708	16,337	4,828	941	5,796	471			104,080
12,452	13,831	4,088	797	4,907	398			88,114
68,179	33,810	72,254	-	1,775	-			310,026
-	-	-	-	-	-			221
	21,062	-	-	-	13,340			34,429
-	-	-	-	-	-			19,868
						146,721		146,721
-	-	-	-	-	-			2,146
-	-	-	-	-	-			9,146
-	-	-	-	-	-			44,365
1,680	12,937	12,529	-	229	-	79	-	64,842
-	-	11,941	-	-	5,357			61,242
-	-	-	-	-	-			749
87	10,840	382	429	2,799	63			24,744
-	575	915	-	-	-			171,732
16,862	58,665	51,947	-	260	-			189,394
-	-	-	-	-	-			33,718
-	7,127	125	-	-	-			12,563
-	247	222	-	-	-			3,693
-	-	-	-	-	-			47,222
9,631	12,872	2,721	916	3,608	628			126,552
-	-	1,413	-	-	-			5,696
-	-	-	-	-	-			11,696
44	75	-	-	-	-			9,331
899	899	-				1,027		5,135
<u>304,441</u>	<u>389,105</u>	<u>222,425</u>	<u>14,593</u>	<u>90,264</u>	<u>26,012</u>	<u>147,827</u>	<u>-</u>	<u>2,800,477</u>
<u>\$ (154,690)</u>	<u>\$ (85,836)</u>	<u>\$ (43,254)</u>	<u>\$ 14,065</u>	<u>\$ 64,042</u>	<u>\$ 6,128</u>	<u>\$ 6,469</u>	<u>\$ 214,211</u>	<u>\$ (259,990)</u>