

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**REPORT OF INDEPENDENT AUDITOR**

**DECEMBER 31, 2017 AND 2016**

**Bain & Jones**

Certified Public Accountants

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**Sangre de Cristo Arts and Conference Center, Inc**  
**Consolidated Financial Statements**  
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**December 31, 2017 and 2016**

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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, 2017 and 2016, 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, 2017 and 2016, 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 31, 2018

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Consolidated Statements of Financial Position**  
**December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 550,522	\$ 335,581
Investments	4,718,597	4,351,470
Accounts receivable	31,702	36,545
Pledges receivable (net of allowance \$100 for 2017 and \$100 for 2016)	900	3,900
Inventories	12,195	12,606
Prepaid expenses	58,051	44,596
Total current assets	5,371,967	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	(3,135,888)	(2,996,541)
Net property and equipment	1,811,354	1,950,701
Other assets		
Long term pledges receivable (net of allowance of \$100 for 2017 and \$100 for 2016)	900	3,900
Art collection	5,005,596	4,993,946
Total other assets	5,006,496	4,997,846
<b>Total Assets</b>	<b>\$ 12,189,817</b>	<b>\$ 11,733,245</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 12,659	\$ 2,390
Accrued liabilities	57,766	63,556
Deferred revenue	169,481	137,393
Total Current Liabilities	239,906	203,339
Net Assets		
Unrestricted		
Operating	586,122	400,238
Board designated	6,227,350	6,083,157
Fixed assets	1,811,354	1,950,701
	8,624,826	8,434,096
Temporarily restricted	3,278,610	3,049,335
Permanently restricted	46,475	46,475
Total Net Assets	11,949,911	11,529,906
<b>Total Liabilities and Net Assets</b>	<b>\$ 12,189,817</b>	<b>\$ 11,733,245</b>

See accompanying notes to financial statements.

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Consolidated Statements of Activities**  
**Years Ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Changes in Unrestricted Net assets</b>		
Support and revenue		
Contributions	\$ 398,869	\$ 372,633
Government appropriations	628,126	548,911
Grants	95,000	62,000
Membership fees	154,878	152,056
Contributed services	12,460	5,135
Ticket sales	247,919	321,254
Education	142,504	172,543
Merchandise sales	233,961	210,991
Rentals	280,058	209,853
Investment income	188,065	153,714
Unrealized gain (loss) on investments	27,000	23,016
Miscellaneous	35,015	81,274
Net assets released from restrictions	301,464	214,018
Total unrestricted support and revenue	2,745,319	2,527,398
Expenses		
Program		
Education	297,279	509,439
Exhibition	207,153	389,105
Performance	125,240	237,018
Facilities rental	275,461	300,242
Children's museum	180,838	275,644
Supporting services		
General administration	1,278,129	1,030,507
Fund raising	43,836	32,510
Miscellaneous	1,575	-
Cost of merchandise sales and related expenses	18,051	26,012
Total expenses	2,427,562	2,800,477
Change in unrestricted net assets	317,757	(273,079)
<b>Changes in Temporarily Restricted Net Assets</b>		
Contributions and grants	12,650	74,168
Investment income	6,082	9,936
Unrealized Gain (loss) on investments	384,980	143,003
Net assets released from restrictions	(301,464)	(214,018)
Change in temporarily restricted net assets	102,248	13,089
<b>Change in total net assets</b>	420,005	(259,990)
<b>Net Assets, beginning of year</b>	11,529,906	11,789,896
<b>Net Assets, end of year</b>	\$ 11,949,911	\$ 11,529,906

See accompanying notes to financial statements.

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Cash received from members	\$ 154,878	\$ 152,056
Cash received from grants, donations and fund raising	1,128,995	987,094
Cash received from admissions, fees and merchandise sales	941,373	989,874
Cash received from other sources	35,015	81,274
Cash paid to employees and suppliers	(2,284,320)	(2,660,885)
Interest, dividends and capital gains received	194,147	163,650
<b>Net cash flows from operating activities</b>	<b>170,088</b>	<b>(286,937)</b>
<b>Cash flows from investing activities</b>		
Capital expenditures	-	(95,050)
Net (purchases) sales/redemptions of investments	44,853	559,620
<b>Net cash flows from investing activities</b>	<b>44,853</b>	<b>464,570</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>214,941</b>	<b>177,633</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>335,581</b>	<b>157,948</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 550,522</b>	<b>\$ 335,581</b>
Reconciliation of change in net assets to net cash flows from operating activities		
Change in net assets	\$ 420,005	\$ (259,990)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	139,347	146,721
Contributed art	(11,650)	(73,868)
Realized and unrealized (gains) losses on investments	(411,980)	(166,019)
(Increase) decrease in receivables	10,843	(17,829)
(Increase) decrease in inventories	411	(1,578)
(Increase) decrease in prepaid expenses	(13,455)	55,727
Increase (decrease) in payables	10,269	(30,252)
Increase (decrease) in accrued liabilities	(5,790)	(36,161)
Increase (decrease) in deferred revenue	32,088	96,312
<b>Net cash flows from operating activities</b>	<b>\$ 170,088</b>	<b>\$ (286,937)</b>
Supplemental data for noncash activities:		
Contributed art	<b>\$ 11,650</b>	<b>\$ 73,868</b>
Donated services	<b>\$ 12,460</b>	<b>\$ 5,135</b>

See accompanying notes to financial statements.

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

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, 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, 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, 2017 and 2016**

**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 \$291,562 and \$66,085 at December 31, 2017 and 2016, respectively. The Center's investment and endowment asset balances did not exceed these insurance limits as of December 31, 2017 and 2016.

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, 2017 and 2016, 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, 2017 and 2016.

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 \$139,347 and \$146,721 was recorded for the years ended December 31, 2017 and 2016, 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, 2017 and 2016**

**Note 2 - Pledges Receivable**

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 1,000	\$ 4,000
Receivable in one to five years	1,000	4,000
Receivable in over five years	<u>-</u>	<u>-</u>
Total pledges receivable	2,000	8,000
Less allowance for uncollectible	(200)	(200)
Less discounts to net present value	<u>-</u>	<u>-</u>
Net pledges receivable	<u>\$ 1,800</u>	<u>\$ 7,800</u>

No present value adjustment was deemed necessary for 2017 or 2016 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, 2017 are summarized as follows:

	<u>Cost</u>	<u>FMV</u>
Cash equivalents	\$ 100,423	\$ 100,423
Corporate/government bonds	181,261	184,607
Mutual funds	<u>3,486,797</u>	<u>4,433,567</u>
	<u>\$3,768,481</u>	<u>\$4,718,597</u>

Investments as of December 31, 2016 are summarized as follows:

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

2017 earnings on investments are summarized as follows:

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
Interest	\$ 227	\$ 11	\$ 238
Dividends	31,781	61,146	92,927
Realized capital gains (losses)	14,692	86,290	100,982
Unrealized gain (loss)	<u>183,158</u>	<u>228,822</u>	<u>411,980</u>
	<u>\$ 229,858</u>	<u>\$ 376,269</u>	<u>\$ 606,127</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>

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**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>2017</u>	<u>2016</u>
Beginning balance	\$4,993,946	\$4,920,078
Donated works of art	<u>11,650</u>	<u>73,868</u>
Ending balance	<u>\$5,005,596</u>	<u>\$4,993,946</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 \$57,766 at December 31, 2017 and \$63,556 at December 31, 2016.

**Note 6 – Deferred Revenue**

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

	<u>2017</u>	<u>2016</u>
Deferred revenue	<u>\$169,481</u>	<u>\$137,393</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 \$12,460 for the year ended December 31, 2017 and \$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 2017 or 2016; 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 \$10,191 and \$8,786 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016**

**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:

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 \$1,017,917 and \$901,246 as of December 31, 2017 and 2016, 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 2017, transfers for this purpose equaled \$130,000 (\$120,000 during 2016).

**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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Restricted for acquisition of works of art	\$ 200,913	\$ 196,599
Restricted for other specific purposes	308,074	312,935
Restricted for long term investment	<u>2,769,623</u>	<u>2,539,801</u>
	<u>\$3,278,610</u>	<u>\$3,049,335</u>

Net assets were released from restrictions by purpose restrictions being accomplished. The restrictions were satisfied by incurring expenses equaling \$301,464 for 2017 and \$214,018 for 2016.

Permanently restricted net assets consist of the following at December 31, 2017 and 2016:

Restricted for investment in perpetuity	<u>\$ 46,475</u>
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**Sangre de Cristo Arts and Conference Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**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, 2017 and 2016**

**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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, beg of year	\$ 1,093,220	\$ 3,049,335	\$ 46,475	\$ 4,189,030
Interest and dividends	324,118	10,751		334,869
Net appreciation (depreciation)		267,524		267,524
Contributions		1,000		1,000
Amounts appropriated for expenditure	<u>(191,575)</u>	<u>(50,000)</u>		<u>(241,575)</u>
Endowment Net Assets, end of year	<u>\$ 1,225,763</u>	<u>\$ 3,278,610</u>	<u>\$ 46,475</u>	<u>\$ 4,550,848</u>

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

As of December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor designated endowment funds	\$ -	\$ 3,278,610	\$ 46,475	\$ 3,325,085
Undesignated	4,009			4,009
Board designated	1,221,754			1,221,754
Total endowment funds	<u>\$ 1,225,763</u>	<u>\$ 3,278,610</u>	<u>\$ 46,475</u>	<u>\$ 4,550,848</u>

**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	1,089,211			1,089,211
Total endowment funds	<u>\$ 1,093,220</u>	<u>\$ 3,049,335</u>	<u>\$ 46,475</u>	<u>\$ 4,189,030</u>

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**Note 12 - Subsequent Events**

Subsequent events have been evaluated through May 31, 2018, 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>2017</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	\$ 100,523	\$ -	\$ -	\$ 100,523
Corporate/government bonds	184,607	-	-	184,607
Mutual funds	<u>4,433,567</u>	-	-	<u>4,433,567</u>
Totals	<u>\$4,718,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$4,718,597</u>
<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>

## **Supplemental Information**



**Sangre de Cristo Arts and Conference Center, Inc.**  
**Consolidating Statement of Financial Position**  
**December 31, 2017**

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 549,411	\$ 1,111	\$ 550,522
Investments	1,746,248	2,972,349	4,718,597
Accounts receivable	31,702		31,702
Pledges receivable (net allowance of \$100)	900		900
Inventories	12,195		12,195
Prepaid expenses	58,051		58,051
<b>Total current assets</b>	<u>2,398,507</u>	<u>2,973,460</u>	<u>5,371,967</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	1,349,429		1,349,429
	4,947,242	-	4,947,242
Accumulated depreciation	(3,135,888)	-	(3,135,888)
<b>Net property and equipment</b>	<u>1,811,354</u>	<u>-</u>	<u>1,811,354</u>
Other assets			
Long term pledges receivable (net of allowance \$100)	900		900
Art collection	5,005,596		5,005,596
<b>Total other assets</b>	<u>5,006,496</u>	<u>-</u>	<u>5,006,496</u>
<b>Total Assets</b>	<u>\$ 9,216,357</u>	<u>\$ 2,973,460</u>	<u>\$ 12,189,817</u>
<b>Liabilities and Net Assets</b>			
Current Liabilities			
Accounts payable	\$ 12,659	\$ -	\$ 12,659
Accrued liabilities	57,766		57,766
Deferred revenue	169,481		169,481
<b>Total Current Liabilities</b>	<u>239,906</u>	<u>-</u>	<u>239,906</u>
Net Assets			
Unrestricted			
Operating	586,122		586,122
Board designated	6,023,513	204,837	6,228,350
Fixed assets	1,811,354		1,811,354
	8,420,989	204,837	8,625,826
Temporarily restricted	508,987	2,768,623	3,277,610
Permanently restricted	46,475		46,475
<b>Total Net Assets</b>	<u>8,976,451</u>	<u>2,973,460</u>	<u>11,949,911</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 9,216,357</u>	<u>\$ 2,973,460</u>	<u>\$ 12,189,817</u>

See accompanying notes to financial statements.

**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 of allowance \$100)	3,900		3,900
Inventories	12,606		12,606
Prepaid expenses	44,596		44,596
Total current assets	<u>2,056,932</u>	<u>2,727,766</u>	<u>4,784,698</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	1,349,429		1,349,429
	<u>4,947,242</u>	<u>-</u>	<u>4,947,242</u>
Accumulated depreciation	<u>(2,996,541)</u>	<u>-</u>	<u>(2,996,541)</u>
Net property and equipment	<u>1,950,701</u>	<u>-</u>	<u>1,950,701</u>
Other assets			
Long term pledges receivable (net of allowance & discounts \$100)	3,900		3,900
Art collection	4,993,946		4,993,946
Total other assets	<u>4,997,846</u>	<u>-</u>	<u>4,997,846</u>
<b>Total Assets</b>	<u><u>\$ 9,005,479</u></u>	<u><u>\$ 2,727,766</u></u>	<u><u>\$ 11,733,245</u></u>
<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
Total Current Liabilities	<u>203,339</u>	<u>-</u>	<u>203,339</u>
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
	<u>8,246,131</u>	<u>187,965</u>	<u>8,434,096</u>
Temporarily restricted	509,534	2,539,801	3,049,335
Permanently restricted	46,475		46,475
Total Net Assets	<u>8,802,140</u>	<u>2,727,766</u>	<u>11,529,906</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 9,005,479</u></u>	<u><u>\$ 2,727,766</u></u>	<u><u>\$ 11,733,245</u></u>

See accompanying notes to financial statements.

**Sangre de Cristo Arts and Conference Center, Inc.**  
**Consolidating Statement of Activities**  
**Year Ended December 31, 2017**

	<u>Arts Center</u>	<u>Endowment</u>	<u>Total</u>
<b>Changes in Unrestricted Net assets</b>			
Support and revenue			
Contributions	\$ 398,869	\$ -	\$ 398,869
Government appropriations	628,126		628,126
Grants	95,000		95,000
Membership fees	154,878		154,878
Contributed services	12,460		12,460
Ticket sales	247,919		247,919
Education	142,504		142,504
Merchandise sales	233,961		233,961
Rentals	280,058		280,058
Investment income	40,618	147,447	188,065
Unrealized gain (loss) on investments	27,000		27,000
Miscellaneous	35,015	-	35,015
Net assets released from restrictions	301,464	-	301,464
Total unrestricted support and revenue	<u>2,597,872</u>	<u>147,447</u>	<u>2,745,319</u>
Expenses			
Program			
Education	297,279		297,279
Exhibition	207,153		207,153
Performance	125,240		125,240
Facilities rental	275,461		275,461
Children's museum	180,838		180,838
Supporting services			
General administration	1,278,129		1,278,129
Fund raising	43,836		43,836
Miscellaneous		1,575	1,575
Cost of merchandise sales and related expenses	18,051		18,051
Total expenses	<u>2,425,987</u>	<u>1,575</u>	<u>2,427,562</u>
Change in unrestricted net assets	<u>171,885</u>	<u>145,872</u>	<u>317,757</u>
<b>Changes in Temporarily Restricted Net Assets</b>			
Contributions and grants	11,650	1,000	12,650
Investment income	6,082	-	6,082
Unrealized gain (loss) on investments	156,158	228,822	384,980
Net assets released from restrictions	<u>(301,464)</u>		<u>(301,464)</u>
Change in temporarily restricted net assets	<u>(127,574)</u>	<u>229,822</u>	<u>102,248</u>
<b>Change in total net assets</b>	44,311	375,694	420,005
Transfers (to) from	130,000	(130,000)	-
<b>Net Assets, beginning of year</b>	<u>8,802,140</u>	<u>2,727,766</u>	<u>11,529,906</u>
<b>Net Assets, end of year</b>	<u>\$ 8,976,451</u>	<u>\$ 2,973,460</u>	<u>\$ 11,949,911</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
Contributed services	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	<u>214,018</u>		<u>214,018</u>
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	<u>26,012</u>		<u>26,012</u>
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**  
**Schedule of Support, Revenue and Expenses**  
**Year Ended December 31, 2017**

	<u>Facilities Rental</u>	<u>Children's Museum</u>	<u>Special Events</u>	<u>General Admin</u>	<u>School of Dance</u>
<b>Support and Revenue</b>					
Sales	\$ 92,459	\$ 9,309	\$ 40,875	\$ 1,796	\$ -
Ticket sales		89,715	38,422		32,524
Classes		-			63,389
Memberships		-			
Rental of facilities	280,058				
Box office commissions					
Donations		33,526	49,648	86,436	8,743
Grants		32,750	-	60,000	-
Public allocations - City of Pueblo				98,681	
Reimbursement - Pueblo County				525,000	
Reimbursement - general				4,445	
Miscellaneous income	3,108	1,998	7,077	-	4,123
In-kind revenue - donated service		4,361		1,245	
Interest income		-		56	
Dividend income		-		7,816	
Capital gains (losses)		-		7,564	
Unrealized gains (losses) on investments				27,000	
<b>Total Support and Revenue</b>	<u>375,625</u>	<u>171,659</u>	<u>136,022</u>	<u>820,039</u>	<u>108,779</u>
<b>Expenses</b>					
Salaries and wages	103,154	117,940	94	552,270	98,237
Payroll taxes	9,049	10,346	8	48,444	8,617
Employee benefits	9,592	10,967	9	51,352	9,134
Contract labor	86,666	1,293	23,966	10,255	1,626
Board expense				1,081	
Consignment		-	6,000		
Credit card and bank charges				20,461	
Depreciation					
Dues and subscriptions		-	-	7,024	
Fund raising		-	-	254	
Insurance		-		38,958	
Misc expense	-	1,607	7,751	30,803	1,210
Purchases	42,353	3,484	327		
Postage	7,760	18	585	8,726	8
Professional services	80	10,369	-	89,816	1,742
Print and publications	887	6,238	1,016	46,375	6,241
Publicity/advertising		1,497	-	14,210	1,922
Public relations	285	-	-	3,426	-
Rental expense	2,837	-	351	2,423	-
Repairs and maintenance		-	-	141,574	-
Supplies	10,543	12,068	3,663	15,759	3,238
Taxes and licenses	2,210	-		1,891	348
Telephone				8,746	-
Travel and training	45	650	66	846	242
In-kind expense - donated service	-	4,361		1,245	
<b>Total Expenses</b>	<u>275,461</u>	<u>180,838</u>	<u>43,836</u>	<u>1,095,939</u>	<u>132,565</u>
<b>Excess (Deficit) Revenue over Expenses</b>	<u>\$ 100,164</u>	<u>\$ (9,179)</u>	<u>\$ 92,186</u>	<u>\$ (275,900)</u>	<u>\$ (23,786)</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>
\$ -	\$ 15,953	\$ 49,331	\$ -	\$ -	\$ 24,238	\$ -	\$ -	\$ 233,961
991	15,388	70,730		149				247,919
79,115	-							142,504
				154,878				154,878
			10,910					280,058
7,600	157,997	51,644	-	3,275		11,650	1,000	10,910
-	2,250	-	-	-				411,519
								95,000
								98,681
								525,000
								4,445
-	7,051	446	298	-	4			24,105
2,181	2,181					2,492		12,460
						171	11	238
						23,965	61,146	92,927
						7,128	86,290	100,982
						156,158	228,822	411,980
<u>89,887</u>	<u>200,820</u>	<u>172,151</u>	<u>11,208</u>	<u>158,302</u>	<u>24,242</u>	<u>201,564</u>	<u>377,269</u>	<u>2,847,567</u>
74,254	108,860	7,216	-	28,497	-			1,090,522
6,514	9,549	633	-	2,500	-			95,660
6,904	10,122	671	-	2,650	-			101,401
56,736	31,385	65,731	1,390	-	-			279,048
-	-	-	-	-	-			1,081
	6,966	-	-	-	17,346			30,312
-	-	-	-	-	-			20,461
						139,347		139,347
-	-	-	-	-	-			7,024
-	-	-	-	-	-			254
-	-	-	-	-	-			38,958
16	3,724	8,853	378	-	42	-	1,575	55,959
-	979	9,396	-	516	-			57,055
11	2,303	69	169	2,672	63			22,384
-	5,170	-	-	-	-			107,177
5,890	11,407	21,052	-	872	-			99,978
-	1,730	852	-	-	100			20,311
1,000	25	12	-	-	-			4,748
-	-	440	-	-	-			6,051
-	-	-	-	-	-			141,574
11,182	11,891	4,300	2,008	2,644	500			77,796
-	-	1,453	-	-	-			5,902
-	-	-	-	-	-			8,746
26	861	617	-	-	-			3,353
2,181	2,181	-				2,492		12,460
<u>164,714</u>	<u>207,153</u>	<u>121,295</u>	<u>3,945</u>	<u>40,351</u>	<u>18,051</u>	<u>141,839</u>	<u>1,575</u>	<u>2,427,562</u>
<u>\$ (74,827)</u>	<u>\$ (6,333)</u>	<u>\$ 50,856</u>	<u>\$ 7,263</u>	<u>\$ 117,951</u>	<u>\$ 6,191</u>	<u>\$ 59,725</u>	<u>\$ 375,694</u>	<u>\$ 420,005</u>