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Financial Statements

Sun Valley Center for the Arts, Inc.
(a nonprofit organization)
Statements of Financial Position
As of May 31, 2019 and 2018

Helping you succeed, financially and beyond.

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INDEPENDENT AUDITIORS' REPORT

To the Board of Trustees
Sun Valley Center for the Arts, Inc.
Sun Valley, Idaho

We have audited the accompanying Statements of Financial Position of Sun Valley Center for the Arts, Inc. (a nonprofit organization) as of May 31, 2019 and 2018, and the related notes to the statements of financial position.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the statements of financial position 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 a statement of financial position that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the statements of financial position 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 statement of financial position is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements of financial position. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the statement of financial position, 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 statement of financial position 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 estimated made by management, as well as evaluating the overall presentation of the statement of financial position.

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 statements of financial position referred to above present fairly, in all material respects, the financial position of Sun Valley Center for the Arts, Inc. as of May 31, 2019 and 2018 in accordance with accounting principles generally accepted in the United States of America.

Harris CPAs

Meridian, Idaho
December 17, 2019

SUN VALLEY CENTER FOR THE ARTS, INC.
STATEMENTS OF FINANCIAL POSITION
May 31, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 842,115	$ 332,220
Accounts receivable	41,486	5,861
Prepaid expenses	256,859	167,896
Total Current Assets	1,140,460	505,977
Other Long-term Assets – Endowment		
Cash	18,865	13,693
Investments	968,707	982,469
Total Endowment	987,572	996,162
Property and Equipment, net	5,026,093	5,092,640
Total Assets	$ 7,154,125	$ 6,594,779
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 71,447	$ 90,596
Accrued vacation	20,500	21,213
Deferred revenue	762,479	380,330
Total Current Liabilities	854,426	492,139
Net Assets		
Without donor restrictions	6,158,933	6,035,700
With donor restrictions	140,766	66,940
Total Net Assets	6,299,699	6,102,640
Total Liabilities and Net Assets	$ 7,154,125	$ 6,594,779

See notes to statements of financial position.

Note A – Summary of Significant Account Policies

Nature of Organization

Sun Valley Center for the Arts, Inc., (the Center) is a not-for-profit center dedicated to enrich the community through transformative arts and educational experiences. The Center provides educational and cultural programming for the citizens of Blaine County, Idaho.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Center reports net assets and revenues, expenses, gains and losses are classified according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Accounting Pronouncements Adopted

For the year ended May 31, 2019, the Center adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both their natural and functional classification.

Implementation of the new standard did not require reclassification or restatement of any opening balances related to the prior period. Net assets presented as temporary or permanently restricted assets are now reported as net assets with donor restrictions. Net assets reported as unrestricted are now reported as net assets without donor restrictions.

Note A – Summary of Significant Account Policies (Continued)

Use of Estimates

The Center uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all unrestricted, short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Contributions and Donor Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Concentrations of Credit Risk

Financial instruments that potentially subject the Center to significant concentrations of credit risk consist principally of cash and investments. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation for up to $250,000 and the Securities Investor Protection Incorporation for up to $500,000. At May 31, 2019 and 2018, the Center's uninsured balances totaled $1,077,050 and $789,046 respectively.

Receivables

Unconditional promises to give are recognized as revenues in the period received as assets, decreases of liabilities, or expenses, depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Receivables are not collateralized and, as a result, management continually monitors the financial condition and payment history of its income sources to reduce the risk of loss. As of May 31, 2019 and 2018, the Center believes all receivables will be fully collectible.

Receivables are stated at the amount management expects to collect from outstanding balances. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

Note A – Summary of Significant Account Policies (Continued)

Investments

Investments with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value

The Center uses fair value for reporting financial assets and liabilities. A hierarchy for reporting the reliability of input measurements is used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the statement of financial position, which approximates fair value due to their short term, highly liquid nature.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from five to forty years. The Center capitalizes all property and equipment with a cost in excess of $1,000 and a useful life longer than one year.

Accrued Vacation

Includes amounts for vacation days, which are earned ratably during the year based upon length of employment.

Deferred Revenue

Ticket sales pertaining to future events are deferred until the performance occurs. For the years ended May 31, 2019 and 2018, the balances for deferred revenue were $762,479 and $380,330, respectively.

Note A - Summary of Significant Account Policies (Continued)

Income Tax Status

The Center is classified as a Section 501(c)(3) Organization that is exempt from income taxes under the Federal Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements. In addition, the Center has been classified as an organization that is not a private foundation under Section 509(a)(2).

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Center may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2019 or 2018.

The Center files Form 990 in the U.S. federal jurisdiction. The Center is generally no longer subject to examination by the Internal Revenue Service for years before 2015.

Subsequent Events

The Center has evaluated subsequent events through December 17, 2019, which is the date the statements of financial position were available to be issued.

Note B – Liquidity and Availability of Resources

The Center's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	$ 842,115
Endowment cash and investments	987,572
Accounts receivable, net	41,486
Total financial assets available within one year	1,871,173
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	(140,766)
Board designation – capital projects	(297,912)
Board designation – endowment funds	(987,572)
Total amounts unavailable for general expenditures within one year	(1,426,250)
Total financial assets available within one year after restriction	$ 444,923

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At May 31, 2019, all net assets with donor restrictions are available for payment of (any major expenditures incurred), except for contributions receivable which are available when the receivable is collected which is expected within the next year and the expenditure is incurred.

In 2017, Sun Valley Center for the Arts ("The Center") recognized a significant working capital deficit due to rapid growth and leadership transitions. The Center's Board of Directors implemented a plan to recover the deficit over three fiscal years, beginning with FY 2018 and ending with FY 2020. The progress of this plan can be tracked on the Undersigned Deficit line in Note F – Net Assets of The Center's annual audit. The Center is on-track to overcome the deficit in 2020.

Note C - Investments

Investments as of May 31, 2019 are summarized as follows:

	2019	2018
Cost	$ 951,671	$ 931,470
Unrealized gain	35,901	64,692
Fair value	$ 987,572	$ 996,162

Note D – Fair Value of Assets and Liabilities

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Center holds actively traded mutual funds measured using Level 1 inputs.

The following table sets forth by level, within the fair value hierarchy, the Center's investments at fair value as of May 31, 2019 and 2018:

		Fair Value Measurements Using		
	Fair Value	**Level 1**	**Level 2**	**Level 3**
2019				
Mutual funds - ETFS	$ 968,707	$ 968,707	$ 0	$ 0
2018				
Mutual funds - ETFS	$ 982,469	$ 982,469	$ 0	$ 0

Note E – Property and Equipment

At May 31, 2019 and 2018, property and equipment consists of the following:

	2019	2018
Buildings and land	$ 4,841,210	$ 4,841,210
Improvements	517,182	507,353
Furniture, fixtures and equipment	646,774	630,040
Autos and Trucks	26,601	26,601
Construction in progress	277,897	284,315
	6,309,664	6,289,519
Less accumulated depreciation	1,283,571	1,196,879
	$ 5,026,093	$ 5,092,640

At May 31, 2019, the construction in progress was related to architecture and engineering costs on a future building.

Note F – Net Assets

The detail of the Center's net asset categories at May 31, 2019 and 2018, is as follows:

	2019	2018
Without donor restrictions:		
Invested in property and equipment	$ 5,026,093	$ 5,092,640
Board designated - endowment funds	987,572	991,162
Board designated - capital projects	297,912	292,759
Undesignated deficit	(152,644)	(340,861)
Total without donor restrictions	$ 6,158,933	$ 6,035,700
With donor restrictions:		
Unexpended funds received for restricted purposes:		
Rebranding	$ 89,504	$ 0
Future theatre sessions	24,000	23,440
Scholarship	7,262	6,000
Future Exhibitions	10,000	12,500
50th Anniversary	5,000	5,000
Future Education Workshops	0	15,000
Endowment funds	5,000	5,000
Total with donor restrictions	140,766	66,940
Total net assets	$ 6,299,699	$ 6,102,640

Note G – Endowment Funds

The Center's endowment consists of one board designated fund and one donor-restricted endowment fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Since the board designated endowment amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Board of Trustees of the Center has interpreted the Idaho Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restriction endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are paid out of the Center in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Center, and (7) the Center's investment policies.

The Center has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of up to 5%, while growing the funds if possible. Actual returns in any given year may vary. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Note G – Endowment Funds (Continued)

The Center has a discretionary policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value as determined on the last day of the 36 months preceding the determination of the corporation's budget for the forthcoming year. The finance committee will recommend to the Board of Directors annually if the distribution should be made prior to the beginning of the fiscal year, or retained within the endowment fund. In establishing this policy, the Center considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund for the Fiscal Year Ended May 31, 2019

	Without Donor Restriction	With Donor Restrictions	Total
Board-designated	$ 991,163	$ 0	$ 991,163
Donor restricted		5,000	5,000
Total	$ 991,163	$ 5,000	$ 996,163

Endowment Net Asset Composition by Type of Fund for the Fiscal Year Ended May 31, 2018

	Without Donor Restriction	With Donor Restrictions	Total
Board-designated	$ 991,162	$ 0	$ 991,162
Donor restricted		5,000	5,000
Total	$ 991,162	$ 5,000	$ 996,162

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets. As of May 31, 2019 there were no such deficiencies.

Note H – Subsequent Events

In September 2019, the Center sold a piece of land for $1.75 million. The Center held no debt toward the land, and the money received was deposited to the Center's capital campaign reserve fund. The board has designated the money received on the sale to future capital projects.