

**ROCKY MOUNTAIN ARTS  
ASSOCIATION**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT ACCOUNTANTS'  
REPORT**

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**JULY 31, 2018**



**Crady, Puca & Associates**

*Certified Public Accountants & Consultants*

# ROCKY MOUNTAIN ARTS ASSOCIATION

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of  
The Rocky Mountain Arts Association

We have reviewed the accompanying financial statements of the Rocky Mountain Arts Association ("RMAA") (a nonprofit organization), which comprise the statement of financial position as of July 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### 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.

### Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

We previously audited RMAA's 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 5, 2018. The summarized comparative information presented herein as of and for the year ended July 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Crady, Puca & Associates*  
Centennial, CO

September 27, 2018

**ROCKY MOUNTAIN ARTS ASSOCIATION**  
**Statement of Financial Position**  
**As of July 31, 2018**  
**(With Summarized Financial Information As of July 31, 2017)**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 75,434	\$ 99,122
Prepaid expenses	10,636	7,285
Pledges receivable	2,000	202
Other assets	3,505	4,365
Property and equipment, net	<u>15,930</u>	<u>3,600</u>
Total assets	<u>\$ 107,505</u>	<u>\$ 114,574</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 27,362	\$ 5,039
Capital lease obligation	<u>6,105</u>	<u>3,993</u>
Total liabilities	<u>33,467</u>	<u>9,032</u>
<b>NET ASSETS</b>		
Undesignated	54,868	105,542
Board designated	<u>17,170</u>	<u>-</u>
Total unrestricted	72,038	105,542
Temporarily Restricted	<u>2,000</u>	<u>-</u>
Total net assets	<u>74,038</u>	<u>105,542</u>
Total liabilities and net assets	<u>\$ 107,505</u>	<u>\$ 114,574</u>

See accompanying notes and independent accountants' review report.

**ROCKY MOUNTAIN ARTS ASSOCIATION****Statement of Activities****For the Year Ended July 31, 2018****(With Summarized Financial Information For the Year Ended July 31, 2017)**

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
<b>Support and Revenue:</b>				
Contributions	\$ 138,880	\$ 2,000	\$ 140,880	\$ 121,122
Government (SCFD)	56,838	-	56,838	34,982
Special events, net of direct expenses	-	-	-	12,449
Ticket sales	177,553	-	177,553	170,864
Membership dues	62,713	-	62,713	58,167
Raffle income	22,640	-	22,640	16,588
Other program service revenue	36,078	-	36,078	36,722
Other income	302	-	302	-
Net assets released from restrictions - Satisfaction of program restrictions	-	-	-	-
<b>Total Support and Revenue</b>	<b>495,004</b>	<b>2,000</b>	<b>497,004</b>	<b>450,894</b>
<b>Expenses:</b>				
Program services - Choral programs	389,025	-	389,025	344,327
<b>Total program services</b>	<b>389,025</b>	<b>-</b>	<b>389,025</b>	<b>344,327</b>
Supporting services - Management and general	98,093	-	98,093	26,530
Fundraising	41,390	-	41,390	34,834
<b>Total supporting services</b>	<b>139,483</b>	<b>-</b>	<b>139,483</b>	<b>61,364</b>
<b>Total Expenses</b>	<b>528,508</b>	<b>-</b>	<b>528,508</b>	<b>405,691</b>
<b>Changes in net assets</b>	<b>(33,504)</b>	<b>2,000</b>	<b>(31,504)</b>	<b>45,203</b>
<b>Net assets, beginning of year</b>	<b>105,542</b>	<b>-</b>	<b>105,542</b>	<b>60,339</b>
<b>Net assets, end of year</b>	<b>\$ 72,038</b>	<b>\$ 2,000</b>	<b>\$ 74,038</b>	<b>\$ 105,542</b>

See accompanying notes and independent accountants' review report.

**ROCKY MOUNTAIN ARTS ASSOCIATION**  
**Statement of Functional Expenses**  
**For the Year Ended July 31, 2018**  
**(With Summarized Financial Information For the Year Ended July 31, 2017)**

	Program Services		Supporting Services		2018 Total	2017 Total
	Choral Programs	Management & General	Fundraising	Total		
Salary expense	\$ 97,345	\$ 39,394	\$ 16,697	\$ 56,091	\$ 153,436	\$ 112,252
Payroll taxes	8,565	2,626	1,113	3,739	12,304	9,506
Other benefits	8,320	550	233	783	9,103	6,866
Total payroll expenses	<u>114,230</u>	<u>42,570</u>	<u>18,043</u>	<u>60,613</u>	<u>174,843</u>	<u>128,624</u>
Production expenses	98,727	-	-	-	98,727	92,548
Ticketing fees & discounts	14,031	-	-	-	14,031	14,976
Contract labor	28,965	23,442	-	23,442	52,407	43,074
Professional fees	-	7,150	-	7,150	7,150	-
Retreat and membership services	31,793	-	-	-	31,793	33,832
Marketing & advertising	27,791	8,845	3,186	12,031	39,822	19,669
Travel, meetings & meals	2,875	-	-	-	2,875	3,089
Insurance	1,163	1,249	199	1,448	2,611	2,755
Occupancy	14,203	2,409	1,021	3,430	17,633	12,942
Telephone	1,766	715	303	1,018	2,784	2,351
Office supplies & expense	19,807	5,333	4,283	9,616	29,423	31,056
Miscellaneous expenses	2,623	1,062	451	1,513	4,136	5,053
IT related expenses	3,744	1,515	642	2,157	5,901	4,097
Other program expenses	21,995	-	-	-	21,995	5,693
Other event expenses	-	-	2,139	2,139	2,139	-
Direct event expenses	-	-	-	-	-	6,641
Depreciation	2,114	855	362	1,217	3,331	1,639
Raffle prize and expenses	-	-	10,714	10,714	10,714	4,293
Contributed:						
Goods	1,548	2,948	47	2,995	4,543	-
Services	1,650	-	-	-	1,650	-
Total expenses	<u>389,025</u>	<u>98,093</u>	<u>41,390</u>	<u>139,483</u>	<u>528,508</u>	<u>412,332</u>
Less: direct event expenses	-	-	-	-	-	(6,641)
Total expenses reported by function	<u>\$ 389,025</u>	<u>\$ 98,093</u>	<u>\$ 41,390</u>	<u>\$ 139,483</u>	<u>\$ 528,508</u>	<u>\$ 405,691</u>

See accompanying notes and independent accountants' review report.

**ROCKY MOUNTAIN ARTS ASSOCIATION****Statement of Cash Flows****For the Year Ended July 31, 2018****(With Summarized Financial Information For the Year Ended July 31, 2017)**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (31,504)	\$ 45,203
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	3,331	1,639
Gain on sale of asset	(302)	
(Increase) decrease in operating assets:		
Prepaid expenses	(3,351)	(7,285)
Pledges receivable	(1,798)	(202)
Other assets	860	1,296
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	22,323	3,368
Net cash provided by (used in) operating activities	<u>(10,441)</u>	<u>44,019</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(12,371)</u>	<u>-</u>
Net cash used in investing activities	<u>(12,371)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on note payable	-	(2,368)
Payments on capital lease obligation	(876)	(1,043)
Net cash used in financing activities	<u>(876)</u>	<u>(3,411)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(23,688)	40,608
<b>Cash and cash equivalents - beginning of the year</b>	<u>99,122</u>	<u>58,514</u>
<b>Cash and cash equivalents - end of the year</b>	<u>\$ 75,434</u>	<u>\$ 99,122</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 1,278</u>	<u>\$ 350</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Equipment purchased under capital lease	<u>\$ 6,890</u>	<u>\$ 7,500</u>

See accompanying notes and independent accountants' review report.

**1. Summary of Significant Accounting Policies**

**Nature of the Organization**

Rocky Mountain Arts Association (RMAA) was incorporated as a non-profit corporation in the state of Colorado in 1982. RMAA exists to build community through music. RMAA supports the operations of two community choruses: the Denver Women's Chorus and the Denver Gay Men's Chorus. These choruses have joined together as an organization for the purpose of making an artistic statement: the choruses, as they sing, provide educational, cultural and social enrichment for our audiences and ourselves, and we identify as an organization of gay, lesbian, bisexual and transgender (GLBT) people and supporters that are making a positive contribution to the entire community.

RMAA is primarily supported by performance revenue and contributions.

RMAA builds community through music and theatre through the following programs:

**The Denver Women's Chorus (DWC)**

The DWC was founded in 1984. These women have equal interests in the excellence of music and performances, as well as in the communities in which they live. Though their origins lie in the lesbian community, they are an inclusive chorus and are open to everyone regardless of sexual orientation or gender identity. Currently under the direction of Mark Zwilling, the DWC and its small ensemble Take Note! perform two to three concerts annually and participate in many local community outreach events.

**The Denver Gay Men's Chorus (DGMC)**

The DGMC has been entertaining Colorado audiences and creating community for over three decades. Founded in 1982, the chorus today is made up of over 130 volunteer singers from across the Denver metropolitan area. Led by Artistic Director James Knapp, DGMC produces and performs three major concerts per year (Holiday, Spring and Summer), and sings at many community outreach events.

**Basis of Accounting**

The accompanying financial statements of RMAA have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, prepaid expenses, payables, and other liabilities.

**Financial Statement Presentation**

RMAA reports 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. At July 31, 2018, RMAA had no permanently restricted net assets.

**Cash and Cash Equivalents**

RMAA considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.



**1. Summary of Significant Accounting Policies (continued)**

**Concentrations of Credit Risk**

Financial instruments which potentially subject RMAA to concentrations of credit risk consist of demand deposit accounts and pledges receivable.

RMAA places its demand deposit accounts with creditworthy, high-quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Such account balances may, at times, exceed the federally insured limit. At July 31, 2018, there was no amount at risk.

Credit risk with respect to pledges receivable is limited due to the number and credit worthiness of the individuals from whom the amounts are due.

**Contributions and Support**

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Contributions of cash and other assets are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

**Pledges Receivable**

Unconditional pledges receivable are recognized as revenue in the period the pledge is received. Unconditional pledges receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met.

Pledges receivable are due within one year at July 31, 2018.

RMAA uses the allowance method to record uncollectible pledges. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible receivables at July 31, 2018.

**Capitalization and Depreciation**

Property and equipment are stated at cost, or fair value if contributed. RMAA follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives range from 3 to 10 years.

**Fair Value**

The carrying amount reported in the statement of financial position for cash and cash equivalents, prepaid expenses, accounts receivable, accounts payable, and accrued liabilities approximates fair value because of the immediate or short-term maturities of these financial instruments.

**1. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**

Ticket revenues from performances are recognized during the year in which the concert takes place. All other revenue is recognized as earned, including memberships dues as dues are paid monthly.

**Advertising Costs**

RMAA expenses advertising costs as incurred. For the year ended July 31, 2018, advertising costs were \$39,822.

**Donated Goods and Services**

Donated goods and services meeting the criteria for recognition in the financial statements are reflected as in-kind contributions at their estimated fair market value on the date of receipt.

Many individuals volunteer their time and perform a variety of tasks that assist RMAA with specific program activities and with fundraising events, but these were not recognized in the financial statements because they did not meet the criteria for recognition under generally accepted accounting principles.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Tax Status**

RMAA qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"), and accordingly, is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Therefore, no provision for federal income tax is recorded in the accompanying financial statements. Income from activities not directly related to RMAA's tax-exempt purpose is subject to taxation as unrelated business income. RMAA did not have unrelated business income subject to tax during the year ended July 31, 2018.

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**ROCKY MOUNTAIN ARTS ASSOCIATION**  
**Notes to Financial Statements**  
**July 31, 2018**

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**1. Summary of Significant Accounting Policies (continued)**

**Date of Management's Review**

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. RMAA's financial statements were available to be issued on September 27, 2018 and this is the date through which subsequent events were evaluated.

**Prior-Year Summarized Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the RMAA's financial statements for the year ended July 31, 2017, from which the summarized information was derived.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications made in prior year have no impact on total net assets or in changes in net assets.

**2. Property and Equipment**

Property and equipment consisted of the following at July 31, 2018:

Theatre equipment	\$ 17,460
Website	7,000
Office equipment	6,890
	<hr/>
	31,350
Less: accumulated depreciation	(15,420)
	<hr/>
Net property and equipment	<u>\$ 15,930</u>

Depreciation expense for the year ended July 31, 2018 was \$3,331.

**3. Capital Lease Obligation**

RMAA traded in its old copier for a new color copier and entered into a new capital lease arrangement in August 2017. The new lease requires monthly payments of \$263, which includes a maintenance component, for 60 months with the final payment due August 2022. The lease is secured by the copier. At July 31, 2018, the asset carries a capitalized cost of \$6,890 less accumulated amortization of \$1,378. Annual amortization of the capital lease is included in depreciation expense.

**ROCKY MOUNTAIN ARTS ASSOCIATION**  
**Notes to Financial Statements**  
**July 31, 2018**

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**3. Capital Lease Obligation (continued)**

The future minimum lease payments due under this capital lease obligation and the net present value of those payments at July 31, 2018 are as follows:

<u>Year Ending July 31,</u>		
2019	\$	2,251
2020		2,251
2021		2,251
2022		2,251
2023		188
		<hr/>
		9,192
Less: amount representing interest		(3,087)
Present value of future minimum lease payments		<hr/>
		6,105
Less: current portion		(1,049)
Long-term portion	\$	<hr/>
		5,056

Interest expense on the capital lease obligation amounted to \$1,278 for the year ended July 31, 2018.

**4. Net Assets**

Board designated net assets:

At July 31, 2018, board designated net assets consisted of cash of \$17,170 set aside for members to attend the GALA event in 2020.

Temporarily Restricted Net Assets:

At July 31, 2018, temporarily restricted net assets consisted of the following:

Time restriction - pledges	\$	<u>2,000</u>
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**5. Significant Concentrations**

The majority of RMAA's contributions are received from corporations and individuals located in the greater Denver metropolitan area. As such, RMAA's ability to generate resources via contributions is dependent upon the economic health of that area.

**6. Related Parties**

One of RMAA's board members owns Out Front magazine. RMAA has an advertising agreement with this magazine. For the year ended July 31, 2018, incurred \$3,750 in expenses under this agreement. At July 31, 2018, there were no amounts due under this agreement.

The pledge receivable at July 31, 2018 of \$2,000 is due from this same board member.