

**ROCKY MOUNTAIN ARTS
ASSOCIATION**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT ACCOUNTANTS'
REPORT**

JULY 31, 2019



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, 2019, 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.

Prior year summarized comparative information

The prior year summarized comparative information has been derived from RMAA's 2018 financial statements and in our review report dated September 27, 2018, we concluded that we were not aware of any material modifications that should be made to the 2018 financial statements. The summarized comparative information presented herein as of and for the year ended July 31, 2018, is consistent with the reviewed financial statements from which it has been derived.

Crady, Puca & Associates

Aurora, CO

October 4, 2019

ROCKY MOUNTAIN ARTS ASSOCIATION
Statement of Financial Position
As of July 31, 2019
(With Summarized Financial Information As of July 31, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 69,012	\$ 75,434
Prepaid expenses	14,601	10,636
Pledges receivable	16,275	2,000
Other assets	-	3,505
Property and equipment, net	29,878	15,930
Total assets	<u>\$ 129,766</u>	<u>\$ 107,505</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 40,471	\$ 27,362
Capital lease obligation	5,056	6,105
Total liabilities	<u>45,527</u>	<u>33,467</u>
NET ASSETS		
Without Donor Restrictions		
Undesignated	35,458	54,868
Board designated	30,045	17,170
Total without donor restrictions	<u>65,503</u>	<u>72,038</u>
With Donor Restrictions	<u>18,736</u>	<u>2,000</u>
Total net assets	<u>84,239</u>	<u>74,038</u>
Total liabilities and net assets	<u>\$ 129,766</u>	<u>\$ 107,505</u>

See accompanying notes and independent accountants' review report.

ROCKY MOUNTAIN ARTS ASSOCIATION**Statement of Activities****For the Year Ended July 31, 2019****(With Summarized Financial Information For the Year Ended July 31, 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support and Revenue:				
Contributions	\$ 165,722	\$ 38,125	\$ 203,847	\$ 140,880
Government (SCFD)	68,895	-	68,895	56,838
Special events, net of direct expenses	15,404	12,918	28,322	-
Ticket sales	164,277	2,461	166,738	177,553
Membership dues	75,195	-	75,195	62,713
Raffle income	17,136	-	17,136	22,640
Other program service revenue	45,229	-	45,229	36,078
Other income	800	-	800	302
Net assets released from restrictions - Satisfaction of time and purpose restrictions	36,768	(36,768)	-	-
Total Support and Revenue	589,426	16,736	606,162	497,004
Expenses:				
Program services - Choral programs	443,752	-	443,752	389,025
Total program services	443,752	-	443,752	389,025
Supporting services - Management and general Fundraising	110,049 42,160	- -	110,049 42,160	98,093 41,390
Total supporting services	152,209	-	152,209	139,483
Total Expenses	595,961	-	595,961	528,508
Changes in net assets	(6,535)	16,736	10,201	(31,504)
Net assets, beginning of year	72,038	2,000	74,038	105,542
Net assets, end of year	\$ 65,503	\$ 18,736	\$ 84,239	\$ 74,038

See accompanying notes and independent accountants' review report.

ROCKY MOUNTAIN ARTS ASSOCIATION

Statement of Functional Expenses

For the Year Ended July 31, 2019

(With Summarized Financial Information For the Year Ended July 31, 2018)

	Program Services		Supporting Services		2019 Total	2018 Total
	Choral Programs	Management & General	Fundraising	Total		
Salary expense	\$ 100,371	\$ 42,625	\$ 18,541	\$ 61,166	\$ 161,537	\$ 153,436
Payroll taxes	7,824	3,322	1,445	4,767	12,591	12,304
Other benefits	11,748	1,630	709	2,339	14,087	9,103
Total payroll expenses	<u>119,943</u>	<u>47,577</u>	<u>20,695</u>	<u>68,272</u>	<u>188,215</u>	<u>174,843</u>
Production expenses	118,910	-	-	-	118,910	98,727
Ticketing fees & discounts	7,089	-	1,046	1,046	8,135	14,031
Contract labor	46,167	31,670	1,951	33,621	79,788	52,407
Professional fees	-	5,275	-	5,275	5,275	7,150
Retreat and membership services	48,283	-	-	-	48,283	31,793
Marketing & advertising	34,296	7,547	3,568	11,115	45,411	39,822
Travel, meetings & meals	2,732	1,572	-	1,572	4,304	2,875
Insurance	2,673	1,913	494	2,407	5,080	2,611
Occupancy	15,048	3,078	1,339	4,417	19,465	17,633
Office supplies & expense	24,600	8,164	1,989	10,153	34,753	32,207
Miscellaneous expenses	1,529	505	220	725	2,254	4,136
IT related expenses	2,184	928	403	1,331	3,515	5,901
Other choral related expenses	14,222	-	-	-	14,222	21,995
Other event expenses	-	-	1,208	1,208	1,208	2,139
Direct event expenses	-	-	29,885	29,885	29,885	-
Depreciation	3,202	1,360	591	1,951	5,153	3,331
Raffle prize and expenses	-	-	8,225	8,225	8,225	10,714
Contributed:						
Goods	2,874	460	431	891	3,765	4,543
Services	-	-	-	-	-	1,650
Total expenses	<u>443,752</u>	<u>110,049</u>	<u>72,045</u>	<u>182,094</u>	<u>625,846</u>	<u>528,508</u>
Less: direct event expenses	-	-	(29,885)	(29,885)	(29,885)	-
Total expenses reported by function	<u>\$ 443,752</u>	<u>\$ 110,049</u>	<u>\$ 42,160</u>	<u>\$ 152,209</u>	<u>\$ 595,961</u>	<u>\$ 528,508</u>

See accompanying notes and independent accountants' review report.

ROCKY MOUNTAIN ARTS ASSOCIATION**Statement of Cash Flows****For the Year Ended July 31, 2019****(With Summarized Financial Information For the Year Ended July 31, 2018)**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 10,201	\$ (31,504)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	5,153	3,331
Gain on sale of asset	-	(302)
(Increase) decrease in operating assets:		
Prepaid expenses	(3,965)	(3,351)
Pledges receivable	(14,275)	(1,798)
Other assets	3,505	860
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	13,109	22,323
Net cash provided by (used in) operating activities	<u>13,728</u>	<u>(10,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(19,101)</u>	<u>(12,371)</u>
Net cash used in investing activities	<u>(19,101)</u>	<u>(12,371)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	<u>(1,049)</u>	<u>(876)</u>
Net cash used in financing activities	<u>(1,049)</u>	<u>(876)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,422)	(23,688)
Cash and cash equivalents - beginning of the year	<u>75,434</u>	<u>99,122</u>
Cash and cash equivalents - end of the year	<u>\$ 69,012</u>	<u>\$ 75,434</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 1,202</u>	<u>\$ 1,278</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Equipment purchased under capital lease	<u>\$ -</u>	<u>\$ 6,890</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 performs at many community outreach events.

Basis of Accounting

The accompanying financial statements of RMAA have been prepared in accordance with generally accepted accounting principles in the United States (US GAAP) and accordingly, reflect all significant receivables, prepaids, payables, and other liabilities.

Basis of Presentation

RMAA reports information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of RMAA. These net assets may be used at the discretion of RMAA's management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of RMAA or by the passage of time.

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

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

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, 2019, 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 Pledges Receivable

Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not recognized as support until the conditions are substantially met.

Pledges receivable are due within one year at July 31, 2019.

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, 2019.

At July 31, 2019, RMAA has one conditional promise to give of \$6,750. The amount to be received is contingent on RMAA meeting certain requirements such as raising matching donations and attendance at programs.

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.

1. Summary of Significant Accounting Policies (continued)

Fair Value

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

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 which are remitted monthly.

Advertising and Marketing Costs

RMAA expenses advertising costs as incurred. For the year ended July 31, 2019, advertising costs were \$45,411.

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. Functional expenses are charged to programs and supporting services based on specific identification when applicable. Salary expenses that relate to more than one program or support activity are allocated based on the estimated number of hours each employee spends on each of the program and supporting service activities. All other expenses that relate to more than one program or support activity are allocated based on salary expenses.

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.

1. Summary of Significant Accounting Policies (continued)

Income Tax Status

No provision for income taxes is provided as RMAA is exempt under Section 501(c)(3) of the Internal Revenue Code and the Colorado Income Tax Act of 1964. As a charitable organization, only unrelated business income, as defined by Section 509(a)(2) of the Internal Revenue Code, is subject to federal income tax. RMAA had no unrelated business income tax liability at July 31, 2019.

RMAA has evaluated its tax positions for all open tax years. Currently the years open for tax authority examination are fiscal years ended July 31, 2016 through July 31, 2018 by the Internal Revenue Service. However, RMAA is not currently under audit nor has it been contacted by this taxing authority. Based on the evaluation of RMAA's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the year ended July 31, 2019.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. RMAA's financial statements for the year ended July 31, 2019 reflect the implementation of this new pronouncement. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to the functional allocation of expenses.

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 October 4, 2019 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 RMAA's financial statements for the year ended July 31, 2018, 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.

ROCKY MOUNTAIN ARTS ASSOCIATION
Notes to Financial Statements
July 31, 2019

2. Property and Equipment

Property and equipment consisted of the following at July 31, 2019:

Theatre equipment	\$ 32,171
Website	7,000
Office equipment	6,890
	<u>46,061</u>
Less: accumulated depreciation	(16,183)
Net property and equipment	<u>\$ 29,878</u>

Depreciation expense for the year ended July 31, 2019 was \$5,153.

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, 2019, the asset carries a capitalized cost of \$6,890 less accumulated amortization of \$2,756. Annual amortization of the capital lease is included in depreciation expense.

The future minimum lease payments due under this capital lease obligation, excluding the maintenance component, and the net present value of those payments at July 31, 2019 are as follows:

<u>Year Ending July 31,</u>	
2020	\$ 2,251
2021	2,251
2022	2,251
2023	188
	<u>6,941</u>
Less: amount representing interest	(1,885)
Present value of future minimum lease payments	<u>5,056</u>
Less: current portion	(1,295)
Long-term portion	<u>\$ 3,761</u>

Interest expense on the capital lease obligation amounted to \$1,202 for the year ended July 31, 2019.

4. Net Assets

Board designated net assets:

At July 31, 2019, board designated net assets consisted of cash of \$30,045 set aside for members to attend the GALA event in 2020.

ROCKY MOUNTAIN ARTS ASSOCIATION
Notes to Financial Statements
July 31, 2019

4. Net Assets (continued)

Net Assets with Donor Restrictions:

At July 31, 2019, net assets with donor restrictions consisted of the following:

Subject to the passage of time -	
Pledges receivable	\$ 16,275
Subject to expenditure for specified purpose -	
Future teacher/student tickets	2,461
	<u>\$ 18,736</u>

5. Liquidity and Funds Available

The following represents RMAA's financial assets at July 31, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 69,012
Contributions receivable	16,275
Total financial assets	<u>85,287</u>
Less amounts not available to be used within one year:	
Board designated net assets for GALA	<u>(30,045)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 55,242</u>

As RMAA has a cyclical business due to its concert schedule, cashflows are also cyclical with July typically having the lowest cash balance. RMAA has a policy to maintain 2-3 months of normal operating expenses, which are, on average, approximately \$50,000, in its checking account. This enables RMAA to manage expenses until the annual SCFD grant is received.

6. 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.

7. 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, 2019, RMAA incurred \$3,225 in expenses under this agreement. At July 31, 2019, there were no amounts due under this agreement.