# Kayenta Arts Foundation

**(A Nonprofit Organization)**
**Financial Statements**
**For the Year Ended June 30, 2019**
**and the Six Months Ended June 30, 2018**

# Kayenta Arts Foundation

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SAVAGE ESPLIN & RADMALL, PC
▪ *Certified Public Accountants* ▪

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Kayenta Arts Foundation
Ivins, Utah

We have reviewed the accompanying financial statements of Kayenta Arts Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the periods 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 company 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.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagements 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.

**Accountant's Conclusion**

Based on our reviews, 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.

Savage Esplin & Radmall PC

SAVAGE ESPLIN & RADMALL, PC
St. George, Utah
November 27, 2019

**Kayenta Arts Foundation**
**Statements of Financial Position**
**As of June 30, 2019 and June 30, 2018**

| | 06/30/19 | 06/30/18 |
|---|---|---|
| **Assets:** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 57,259 | $ 78,608 |
| Accounts Receivable | 1,525 | 844 |
| Prepaid Expenses | 959 | 0 |
| Total Current Assets | 59,743 | 79,452 |
| Fixed Assets | | |
| Fixtures & Equipment | 515,969 | 511,019 |
| Land | 600,000 | 0 |
| Buildings | 1,540,489 | 1,540,489 |
| Accumulated Depreciation | (275,857) | (121,712) |
| Total Fixed Assets | 2,380,601 | 1,929,796 |
| Other Assets | | |
| Security Deposits | 745 | 0 |
| Total Other Assets | 745 | 0 |
| **Total Assets** | $ 2,441,089 | $ 2,009,248 |
| **Liabilities and Net Assets:** | | |
| Current Liabilities | | |
| Accounts Payable | $ 30,149 | $ 160,427 |
| Accrued Expenses | 5,779 | 6,230 |
| Credit Cards Payable | 839 | 0 |
| Deferred Revenue | 34,647 | 0 |
| Total Current Liabilities | 71,414 | 166,657 |
| Total Liabilities | 71,414 | 166,657 |
| **Net Assets:** | | |
| Without Donor Restrictions | 2,352,175 | 1,842,591 |
| With Donor Restrictions | 17,500 | 0 |
| Total Net Assets | 2,369,675 | 1,842,591 |
| **Total Liabilities and Net Assets** | $ 2,441,089 | $ 2,009,248 |

**Kayenta Arts Foundation**
**Statement of Activities**
**For the Year Ended June 30, 2019**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues, Gains and Other Support:** | | | |
| Grant Income | $ 0 | $ 51,240 | $ 51,240 |
| Contribution Income | 963,852 | 0 | 963,852 |
| Gifts in Kind | 45,550 | 0 | 45,550 |
| Membership Donations | 252 | 0 | 252 |
| Investment Income | 128 | 0 | 128 |
| Gross Special Events Revenue | 288,789 | 0 | 288,789 |
| Less Cost of Direct Benefits to Donors | (313,557) | 0 | (313,557) |
| Net Special Events Revenue | (24,768) | 0 | (24,768) |
| Net Assets Released from Restrictions | 33,740 | (33,740) | - |
| Total Revenues, Gains and Other Support | 1,018,754 | 17,500 | 1,036,254 |
| **Expenses and Losses:** | | | |
| Program Expenses | 382,852 | 0 | 382,852 |
| Support Services: | | | |
| Management and General Expenses | 110,192 | 0 | 110,192 |
| Fundraising Expenses | 16,126 | 0 | 16,126 |
| Total Expenses and Losses | 509,170 | 0 | 509,170 |
| **Changes in Net Assets** | 509,584 | 17,500 | 527,084 |
| Net Assets at Beginning of Period | 1,842,591 | 0 | 1,842,591 |
| **Net Assets at End of Period** | $ 2,352,175 | $ 17,500 | $ 2,369,675 |

**Kayenta Arts Foundation**
**Statement of Activities**
**For the Six Months Ended June 30, 2018**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues, Gains and Other Support:** | | | |
| Grant Income | $ 0 | $ 40,600 | $ 40,600 |
| Contribution Income | 119,167 | 0 | 119,167 |
| Gifts in Kind | 970 | 0 | 970 |
| Membership Donations | 4,004 | 0 | 4,004 |
| Investment Income | 103 | 0 | 103 |
| Gross Special Events Revenue | 99,092 | 0 | 99,092 |
| Less Cost of Direct Benefits to Donors | (78,059) | 0 | (78,059) |
| Net Special Events Revenue | 21,033 | 0 | 21,033 |
| Net Assets Released from Restrictions | 40,600 | (40,600) | - |
| Total Revenues, Gains and Other Support | 185,877 | 0 | 185,877 |
| **Expenses and Losses:** | | | |
| Program Expenses | 169,795 | 0 | 169,795 |
| Support Services: | | | |
| Management and General Expenses | 55,903 | 0 | 55,903 |
| Fundraising Expenses | 2,565 | 0 | 2,565 |
| Total Expenses and Losses | 228,263 | 0 | 228,263 |
| **Changes in Net Assets** | (42,386) | 0 | (42,386) |
| Net Assets at Beginning of Period | 1,884,977 | 0 | 1,884,977 |
| **Net Assets at End of Period** | $ 1,842,591 | $ 0 | $ 1,842,591 |

**Kayenta Arts Foundation**
**Statement of Functional Expenses**
**For the Year Ended June 30, 2019**

| | Program Expenses | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Payroll Expenses | | | | |
| Salaries and Wages | $ 136,585 | $ 0 | $ 0 | $ 136,585 |
| Payroll Taxes | 10,639 | 0 | 0 | 10,639 |
| Total Payroll Expenses | 147,224 | 0 | 0 | 147,224 |
| Other Expenses | | | | |
| Advertising and Marketing | 87,682 | 19,247 | 0 | 106,929 |
| Artists and Presenters | 68,542 | 0 | 0 | 68,542 |
| Contract Labor | 655 | 1,391 | 0 | 2,046 |
| Depreciation | 154,145 | 0 | 0 | 154,145 |
| In Kind Donations | 43,500 | 0 | 0 | 43,500 |
| Insurance | 1,165 | 0 | 0 | 1,165 |
| Miscellaneous Fees | 10,750 | 40,313 | 16,126 | 67,189 |
| Other Operating Costs | 52,398 | 0 | 0 | 52,398 |
| Professional Fees | 19,354 | 39,295 | 0 | 58,649 |
| Property Tax | 2,000 | 2,000 | 0 | 4,000 |
| Rent Expense | 6,079 | 529 | 0 | 6,608 |
| Sales Tax | 7,978 | 2,951 | 0 | 10,929 |
| Supplies | 5,919 | 4,466 | 0 | 10,385 |
| Theatre Expenses | 89,018 | 0 | 0 | 89,018 |
| Total Other Expenses | 549,185 | 110,192 | 16,126 | 675,503 |
| Total Expenses by Function | 696,409 | 110,192 | 16,126 | 822,727 |
| Less Expenses Included with Revenues on the Statement of Activities Cost of direct Benefits to Donors | (313,557) | 0 | 0 | (313,557) |
| Total Expenses Included in the Expense Section on the Statement | $ 382,852 | $ 110,192 | $ 16,126 | $ 509,170 |

**Kayenta Arts Foundation**
**Statement of Functional Expenses**
**For the Six Months Ended June 30, 2018**

| | Program Expenses | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Payroll Expenses | | | | |
| Salaries and Wages | $ 42,400 | $ 21,053 | $ 0 | $ 63,453 |
| Payroll Taxes | 3,068 | 1,786 | 0 | 4,854 |
| Total Payroll Expenses | 45,468 | 22,839 | 0 | 68,307 |
| Other Expenses | | | | |
| Advertising and Marketing | 20,902 | 4,588 | 0 | 25,490 |
| Artists and Presenters | 38,926 | 0 | 0 | 38,926 |
| Contract Labor | 420 | 893 | 0 | 1,313 |
| Depreciation | 73,301 | 0 | 0 | 73,301 |
| Insurance | 6,385 | 0 | 0 | 6,385 |
| Miscellaneous Fees | 1,710 | 6,411 | 2,565 | 10,686 |
| Other Operating Costs | 16,599 | 0 | 0 | 16,599 |
| Professional Fees | 8,366 | 16,987 | 0 | 25,353 |
| Rent Expense | 4,407 | 383 | 0 | 4,790 |
| Sales Tax | 3,518 | 1,301 | 0 | 4,819 |
| Supplies | 3,315 | 2,501 | 0 | 5,816 |
| Theatre Expenses | 24,537 | 0 | 0 | 24,537 |
| Total Other Expenses | 202,386 | 33,064 | 2,565 | 238,015 |
| Total Expenses by Function | 247,854 | 55,903 | 2,565 | 306,322 |
| Less Expenses Included with Revenues on the Statement of Activities Cost of direct Benefits to Donors | (78,059) | 0 | 0 | (78,059) |
| Total Expenses Included in the Expense Section on the Statement | $ 169,795 | $ 55,903 | $ 2,565 | $ 228,263 |

**Kayenta Arts Foundation**
**Statements of Cash Flows**
**For the Year Ended June 30, 2019 and the Six Months Ended June 30, 2018**

| | 06/30/19 | 06/30/18 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Change in Net Assets | $ 527,084 | $ (42,386) |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation Expense | 154,145 | 73,301 |
| Non-Cash Contribution of Land | (600,000) | 0 |
| (Increase)/Decrease in Accounts Receivable | (681) | 756 |
| (Increase)/Decrease in Prepaid Expenses | (959) | 2,500 |
| Increase/(Decrease) in Accounts Payable | (130,278) | (10,650) |
| Increase/(Decrease) in Accrued Expenses | (451) | 1,033 |
| Increase/(Decrease) in Credit Cards Payable | 839 | 0 |
| Increase/(Decrease) in Deferred Revenue | 34,647 | 0 |
| Net Cash Provided/(Used) by Operating Activities | (15,654) | 24,554 |
| **Cash Flows From Investing Activities** | | |
| Purchase of Fixtures & Equipment | (4,950) | (91,962) |
| Security Deposits | (745) | 0 |
| Net Cash (Used) by Investing Activities | (5,695) | (91,962) |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | (21,349) | (67,408) |
| Cash and Cash Equivalents, Beginning of Year | 78,608 | 146,016 |
| **Cash and Cash Equivalents, End of Year** | $ 57,259 | $ 78,608 |

## Note 1 - Principal Activity and Significant Accounting Policies

### Organization

Kayenta Arts Foundation (the Foundation) is a private nonprofit incorporated in the state of Utah. It began operations on February 10, 2011. The Foundation was organized to be the premier venue in the greater southern Utah area for awareness, education, and enjoyment of diverse artistic endeavors. Funding is provided through contributions from local corporations, individuals, and governmental entities.

### Fiscal Year End

The board of trustees voted to change the Foundation's fiscal year end from December 31 to June 30. An application was submitted to the Internal Revenue Service to change the tax year of the foundation and the change was approved effective for the short-year beginning January 1, 2018 and ended June 30, 2018.

### Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building project, permanent endowment, or other long-term purposes are excluded from this definition.

### Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for event sales (program income). The Foundation determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019 and June 30, 2018, there was no allowance for uncollectable accounts receivable.

### Property and Equipment

Property and equipment additions over $2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the periods ended June 30, 2019 and June 30, 2018.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve.

*Temporarily Restricted Net Assets* – Net assets subject to donor restrictions that may or will be met by expenditures or actions and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Board of Directors.

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statements of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation's actions. The restrictions stipulate that resources be maintained permanently but permit expending the income generated in accordance with the provisions of the agreements. At June 30, 2019 and June 30, 2018, the Foundation did not have any permanently restricted net assets.

**Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

## Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

## Advertising Costs

Advertising costs are expensed as incurred, and totaled $106,929 and $25,490 during the periods ended June 30, 2019 and June 30, 2018, respectively.

## Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## Income Taxes

The Foundation is organized as a nonprofit organization in accordance with the laws of the State of Utah and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), that qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1).

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

### Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit could exceed insured limits or include uninsured investments in money market mutual funds. The Foundation maintains four bank accounts which it uses in its daily operations. From inception, the Foundation has not exceeded the insured levels in any of these accounts, placed any of its funds in money market mutual funds, or experienced losses in any of these accounts. Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates.

### Date of Management Review

Management has evaluated subsequent events through November 27, 2019, the date the financial statements were available to be issued.

## Note 2 – Restricted Net Assets

Net assets were released as follows during the periods ended June 30, 2019 and June 30, 2018:

| | 6/30/2019 | 6/30/2018 |
|---|---|---|
| Satisfaction of Purpose Restrictions | | |
| Street Painting Festival | $33,740 | $40,600 |
| | $33,740 | $40,600 |

## Note 3 - Donated Professional Services and Materials

Donated professional services and materials received during the periods ended June 30, 2019 and June 30, 2018 are as follows:

| | Program Services | Management and General | Fundraising and Development | Total |
|---|---|---|---|---|
| Year ended 6/30/2019 | | | | |
| Products | $32,458 | $1,397 | $0 | $33,855 |
| Services | 1,000 | 10,695 | 0 | 11,695 |
| | $32,170 | $27,819 | $0 | $45,550 |
| Six months ended 6/30/2018 | | | | |
| Products | $970 | $0 | $0 | $970 |
| | $970 | $0 | $0 | $970 |

**Note 4 – Noncash Contribution and Exchange of Land**

In 2015 a developer commenced construction of an arts center facility which would be used for the Foundation's stated not-for-profit purposes. Concurrently, the Foundation signed a five-year lease to occupy this property in Coyote Gulch Court, Ivins, Utah upon completion of construction. The Foundation solicited funds to financially support the construction of the building.

Construction was substantially completed in 2017 and the Foundation commenced operations in the facility under the aforementioned five-year lease. As funds were raised by the Foundation, those funds were used to pay the contractor for the construction work that was in progress. Accordingly, the Foundation recognized those monies on its balance sheet as "Buildings," a non-current fixed asset.

In May 2019, private donors contributed two parcels of land in the Kayenta residential area to the Foundation. The appraised value of these parcels was $600,000. The Foundation then swapped these two parcels of land to the developer in exchange for the land occupied by the newly constructed arts center facility. Concurrent with this swap, the unused portion of the five-year lease was cancelled and the Foundation made certain one-time payments for property taxes. Simultaneously, the developer forgave approximately $160,000 of outstanding construction liabilities and other minor amounts.