TUACAHN CENTER FOR THE ARTS
(NONPROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tuacahn Center for the Arts
St. George, Utah

We have audited the accompanying financial statements of Tuacahn Center for the Arts (a nonprofit organization), which comprise the statement of financial position as of December 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.

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 from 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 financial statements referred to above present fairly, in all material respects, the financial position of Tuacahn Center for the Arts as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hafen Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
July 13, 2020

Tuacahn Center for the Arts

Statement of Financial Position
December 31, 2019

ASSETS		
Current Assets:		
Cash	$	549,393
Inventory		158,955
Receivables		112,971
Prepaid Expenses		147,242
Total Current Assets		968,561
Fixed Assets:		
Construction-In-Progress		4,651,086
Land		655,865
Depreciable Assets		33,202,880
Less: Accumulated Depreciation		(14,049,842)
Total Fixed Assets		24,459,989
Other Assets:		
Bond Restricted Cash		179
Endowment		607,134
Other Assets		5,813
Copyrights		275,001
Bond Issue Costs		170,658
Less: Accumulated Amortization		(309,132)
Total Other Assets		749,653
TOTAL ASSETS	$	26,178,203
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts Payable	$	731,451
Accrued Liabilities		54,815
Accrued Interest		15,414
Other Liabilities		7,416
Current Portion of Long-Term Liabilities		514,811
Lines of Credit		1,451,100
Deferred Revenue		2,085,712
Gift Certificates Outstanding		201,538
Total Current Liabilities		5,062,257
Non-Current Liabilities:		
Long-Term Liabilities		8,750,784
Total Non-Current Liabilities		8,750,784
Total Liabilities		13,813,041
Net Assets:		
Without Donor Restrictions		11,085,491
With Donor Restrictions		1,279,671
Total Net Assets		12,365,162
TOTAL LIABILITIES & NET ASSETS	$	26,178,203

The Accompanying Notes Are An Integral
Part Of These Financial Statements

Tuacahn Center for the Arts

Statement of Activities

For The Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES			
Donations	$ 388,973	$ 1,401,165	1,790,138
Donations in-kind	97,889	-	97,889
Grants	178,812	413,190	592,002
Productions	9,892,229	-	9,892,229
Concerts & Events	1,358,457	-	1,358,457
Show Care	133,530	-	133,530
Gift Shop	588,581	-	588,581
Concessions	866,786	-	866,786
Rental	261,998	-	261,998
Bond Revenue	1,375,000	-	1,375,000
Other	337,166	-	337,166
Net Assets Released from Satisfaction of Restrictions	809,256	(809,256)	-
Gain on Sales of Assets	10,795	-	10,795
Interest Income	2,710	-	2,710
Total Revenues	16,302,182	1,005,099	17,307,281
FUNCTIONAL EXPENSES:			
Program Services			
Tuacahn Center for the Arts	14,731,287	-	14,731,287
Tuacahn High School	569,791	-	569,791
Administrative	849,218	-	849,218
Total Functional Expenses	16,150,295	-	16,150,295
Change in net assets	151,887	1,005,099	1,156,986
Net assets, beginning of year	10,933,604	274,572	11,208,176
NET ASSETS, END OF YEAR	$ 11,085,491	$ 1,279,671	$ 12,365,162

The Accompanying Notes Are An Integral Part Of These Financial Statements

Tuacahn Center for the Arts

Statement of Functional Expenses
For The Year Ended December 31, 2019

	Program Services			
	Tuacahn Center for the Arts	Tuacahn High School	Administrative	Total Expenses
Cost of Sales:				
Productions	$ 7,327,162	$ -	$ -	$ 7,327,162
Concerts & Events	923,486	-	-	923,486
Gift Shop	393,019	-	-	393,019
Concessions	517,485	-	-	517,485
Credit Card Charges	306,007	-	-	306,007
Show Care	155,693	-	-	155,693
Other	11,796	-	-	11,796
Total Cost of Sales	9,634,648	-	-	9,634,648
Other:				
Accounting	-	-	64,272	64,272
Advertising	1,276,660	-	-	1,276,660
Auto	18,398	-	4,599	22,997
Fundraising	132,365	-	-	132,365
In-kind and Other Donations	135,175	-	-	135,175
Insurance	79,003	5,267	21,067	105,337
Interest	242,059	18,220	-	260,279
Meals & Entertainment	53,143	1,363	13,626	68,132
Other	29,046	-	7,262	36,308
Outside Services	114,282	28,571	-	142,853
Payroll Taxes & Benefits	334,502	32,902	180,960	548,364
Postage and Shipping	10,286	-	2,572	12,858
Rent	9,323	1,036	-	10,359
Repairs & Maintenance	42,976	10,604	2,232	55,812
Salaries & Wages	879,558	86,514	475,826	1,441,898
Supplies	47,483	14,839	11,871	74,193
Technical Equipment	88,080	-	-	88,080
Telecommunications	40,517	7,525	9,840	57,882
Travel & Lodging	95,332	-	5,018	100,350
Utilities	130,941	69,351	50,073	250,365
Total Expense Before Depreciation & Amortization	13,393,778	276,192	849,218	14,519,187
Depreciation & Amortization	1,337,509	293,599	-	1,631,108
Total Expenses	$ 14,731,287	$ 569,791	$ 849,218	$ 16,150,295

The Accompanying Notes Are An Integral Part Of These Financial Statements

Tuacahn Center for the Arts

Statement of Cash Flows

For The Year Ended December 31, 2019

Operating Activities:	
Cash Donations Received from Public	$ 1,790,138
Cash Grants Received	592,002
Cash Received from Productions, Concerts & Show Care	11,334,650
Cash Received from Gift Shop and Concessions	1,455,367
Cash Received from Other Sources	2,298,084
Interest Income	2,710
Cash Paid for Costs of Revenues	(9,590,372)
Cash paid for Salaries and Related Costs	(2,044,275)
Cash Paid for Operating Expenses	(2,489,044)
Net Cash Provided from Operations	3,349,260
Investing Activities:	
Purchase of Investments	(607,134)
Purchase of Property, Plant and Equipment	(5,597,972)
Net Cash Provided from Investing Activities	(6,205,106)
Financing Activities:	
Proceeds from Long-Term Debt	4,433,548
Proceeds from Line of Credit	7,700,204
Payments on Debt	(9,205,740)
Net Cash Provided from Financing Activities	2,928,012
Increase/(Decrease) in Cash	72,166
Cash at Beginning of Period	477,406
Cash at End of Period	$ 549,572

The Accompanying Notes Are An Integral
Part Of The Financial Statements

Tuacahn Center for the Arts

Statement of Cash Flows (Continued)
For The Year Ended December 31, 2019

RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	$	1,156,986
Adjustments to Reconcile Net Change in Net Assets to Net Cash Provided by Operating Activities:		
Donations In-Kind, net		(97,889)
Other Non-Cash Items		135,175
Depreciation & Amortization		1,631,108
Changes in Operating Assets and Liabilities		
Decrease (Increase) in Inventory		(3,347)
Decrease (Increase) in Receivables		323,920
Decrease (Increase) in Prepaid Expenses		179,988
Increase (Decrease) in Accounts Payable		134,332
Increase (Decrease) in Accrued Liabilities		(54,013)
Increase (Decrease) in Accrued Interest		(7,434)
Increase (Decrease) in Deferred Revenue		(1,847)
Increase (Decrease) in Gift Cards		(47,719)
Net Cash Provided by Operating Activities	$	3,349,260

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

A. Background

Tuacahn Center for the Arts (The Center) is incorporated under the laws of the state of Utah as a nonprofit organization and was first registered in 1991. Tuacahn Center for the Arts is located in Washington County, Utah. The financial statements exclude the books and records of Tuacahn High School, which is required to be independently audited per Utah state requirements.

B. General

The accompanying financial statements of The Center have been prepared in accordance with generally accepted accounting principles which require the use of management estimates and the accrual basis of accounting.

C. Basis of Presentation

The Center has adopted the provisions of Accounting Standards Codification 958, Not-For-Profit Entities (ASB 958) Accounting Standards Codification (ASC 720-25) and ADC 225-45-6 *Classification of Revenues, Expenses, Gains, and Losses* (ASC 255-45-6). The Center has also adopted the provisions of Accounting Standards Update (ASU) 2016-14. Under these ASC's and ASU, the Center is required to report and record its financial position, activities and contributions received under two classes: net assets with donor restrictions and net assets without donor restrictions. These classes are determined by the donor's restrictions for the use of the funds or lack thereof. When a donor's restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and are shown in the statement of activities as net assets released from restriction. Restrictions expire when a time restriction is met, or the purpose of the restricted funds has been accomplished.

D. Basis of Accounting

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

E. Description of Programs

Tuacahn Center for the Arts

Tuacahn Center for the Arts is a professional non-profit organization which edifies and inspires the human spirit through professional world class family entertainment and an unparalleled artistic and academic experience which matches the majesty of our canyon. The Center maintains and manages an amphitheater that is used for productions, concerts, and events.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuacahn High School for the Performing Arts

The Center has a facility agreement with Tuacahn High School for the Performing Arts (The High School) for rent and cost reimbursement. The mission of The High School is to be an innovative and nationally recognized performing arts high school by implementing the principles of collaborative design, candid feedback, and original work. The High School provides a dynamic environment where all students are given the tools and opportunities to succeed and excel in academics and the arts.

G. Income Taxes

No provision has been made for Federal income taxes because The Center is exempt from Federal income tax as an organization that was organized under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2019. In accordance with tax statute, the Center's tax returns remain subject to examination for all tax years ended on or after December 31, 2016 with regard to all tax positions and results of operations.

H. Inventory

Inventories consist of goods held for sale and are stated at the lower of cost or market. Cost is determined on the first-in first-out basis.

I. Production Revenue and Cost Recognition

Receipts from the advance sale of tickets are recorded as deferred revenue and costs incurred relative to future performances are recorded as prepaid expenses. The revenue and related expenses are recognized in the period in which performances take place. At December 31, 2019 the Center has deferred revenue for future performances of $2,085,712 and prepaid costs of future performances of $147,242. Marketing (advertising) costs of $1,276,660 were recognized for the year ending December 31, 2019.

NOTE 2: CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments. On December 31, 2019, the Center had cash on hand of $7,800. All but $84,867 of the Center's bank balance was insured by FDIC insurance.

Restricted cash consists of amounts held in escrow per the bond agreement.

NOTE 3: FIXED ASSETS

Expenditures for fixed assets are carried at cost. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation of fixed assets is calculated on the straight line basis over the asset's useful life.

Fixed assets as of December 31, 2019 consisted of the following:

Description	12/31/2018	Additions	Retirements	Transfers	12/31/2019
Depreciable Assets:					
Buildings/Structures	$25,249,024	$ 14,424	$ -	$ 342,780	$25,606,228
IT Equipment & Software	645,799	16,112	(116,822)	-	545,089
Costumes	943,300	212,742	-	-	1,156,042
Furniture & Fixtures	604,709	9,600	-	14,209	628,518
Machinery & Equipment	886,647	27,905	(23,175)	202,042	1,093,419
Office Equipment	56,076	10,539	(2,683)	-	63,931
Theatrical Production	3,989,463	141,136	(376,794)	156,414	3,910,219
Vehicles	228,691	-	-	-	199,437
Total Depreciable Assets	32,603,709	432,458	(548,728)	715,445	33,202,883
Accumulated Depreciation	(12,947,095)	(1,622,575)	519,828	-	(14,049,842)
Net	19,656,614	(1,190,117)	(28,900)	715,445	19,153,041
Construction in Progress	201,095	5,165,514	(78)	(715,445)	4,651,086
Land	655,865	-	-	-	655,865
Total Fixed Assets	$20,513,574	$3,975,397	$ (28,978)	$ -	$24,459,992

NOTE 4: RELATED PARTY TRANSACTIONS

The Center pays some of the facility costs of Tuacahn High School a non-profit charter school. The Center and Tuacahn High School are governed by two different Boards that have some overlapping members. Amounts paid to the Center in 2019 consisted of $175,343, and at December 31, 2019 a facility agreement existed at $15,000 per month. The Center and Tuacahn High School file a consolidated tax return.

NOTE 5: LONG TERM LIABILITIES

Long-term liabilities at December 31, 2019 consisted of the following:

2.51% Municipal Bonds issued by Ivins City Payable to Zions Bank, semi-annual interest annual principal payments, with final principal and interest due November 1, 2035, secured by real estate.	$ 3,848,806
3.4% Note payable to Zions Bank, monthly installments of principal and interest of $16,246 with final payment due January 31, 2026, secured by real estate.	1,068,774
4.475% Construction Note payable to Zions Bank, monthly installments of interest only that will be converted to a long-term loan on August 1, 2020 amortized over a 20 year period at 3.5% with a balloon payment due September 1, 2030, secured by real estate.	3,852,774
4.50% Construction Note payable to Zions Bank, monthly installments of principal and interest of $9,056.28 that will be consolidated with other loans on August 1, 2020 amortized over a 20 year period at 3.5% with a balloon payment due September 1, 2030, secured by equipment.	463.229
4.61% Note payable to Zions Bank, monthly installments of principal and interest of $305.18 with final payment due March 8, 2023, secured by a vehicle.	11,028
3.74% Note payable to Ally Bank, monthly installments of principal and interest of $399 with final payment due March 31, 2022, secured by a vehicle.	10,309
3.74% Note payable to Ally Bank, monthly installments of principal and interest of $399 with final payment due April 30, 2022, secured by a vehicle.	10,675
Total Long-Term Debt	9,265,595
Less Current Portion	(413,735)
Long-Term Portion	$ 8,851,860

NOTE 5: LONG TERM LIABILITIES (CONTINUED)

Maturities of long-term liabilities are as follows:

Year	Principal	Interest	Total
2020	$ 514,811	$ 146,523	$ 661,334
2021	572,930	267,120	840,050
2022	577,782	256,147	833,929
2023	583,970	233,440	817,410
2024	595,069	213,588	808,657
Thereafter	6,421,037	1,038,794	7,459,831
	$ 9,265,599	$ 2,155,612	$11,421,211

NOTE 6 – LINE OF CREDIT

On November 26, 2019 the Center replaced its existing $1,500,000 line of credit with a $2,000,000 line of credit with variable interest rate based on the 90 day LIBOR rate, plus margin of 2.75%. The initial rate is 3.75% which will be adjusted every 90 days and its current rate is 3.34%. The line of credit is renewable annually and is unsecured. The outstanding balance as of December 31, 2019 was $1,355,326.

On November 27, 2019, the Center obtained another line of credit with a $1,000,000 limit with an current interest rate of 4.50%. This line of credit matures August 27, 2030 and is unsecured. The outstanding balance as of December 31, 2019 was $95,774.

NOTE 7 – ENDOWMENT

The Hyrum and Gail Smith Tuacahn Legacy Endowment was established in honor of Hyrum and Gail to help financially support Tuacahn Center for the Arts and contribute to putting Tuacahn in perpetuity. Earnings from the Endowment may be spent on Tuacahn operations and for approved Tuacahn capital improvements. It was not intended to support the high school specifically as the school has a separate Endowment. However, the school may, of course, indirectly benefit. The donations which totaled $599,665 on December 31, 2019 are part of Net Assets with Donor Restrictions while the earnings totaled and not yet used at December 31, 2019 totaled $7,469 and carry no donor restrictions.

NOTE 8 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Center's management has evaluated events and transactions for potential recognition or disclosure through July 13, 2020 the date that the financial statements were issued. Management is not aware of any material events or transactions that have not been recognized or disclosed.

NOTE 9 - PENSION PLANS

The Center sponsors a defined contribution retirement plan under Internal Revenue Code 403(b) that is administered by a private insurance company. The Center's contribution rates in effect during 2019 were as follows: executives receive 13% of their salaries, department heads receive 6% of their salaries and managers receive 3% of their salaries. Employees are able to contribute but are not required to contribute. During 2019, in addition to what the employees paid, the Center paid $47,486.

NOTE 10: SUBSEQUENT EVENTS

In preparing the financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through July 14, 2020, the date that the financial statements were available to be issued. The COVID-19 outbreak in the United States has resulted in the Productions and Spring Concerts being canceled or postponed. The Center is planning on moving forward with concerts and other events this fall and Christmas. These recent developments are expected to result in the significant drop in revenues and cash flows. Other financial impact could occur though such potential impact is unknown at this time.