SUN VALLEY CENTER FOR THE ARTS, INC.
(a nonprofit organization)

BALANCE SHEET

May 31, 2015

Harris & Co. PLLC

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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 balance sheet of Sun Valley Center for the Arts, Inc. (a nonprofit organization) as of May 31, 2015, and the related notes to the balance sheet.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the balance sheet 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 balance sheet that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the balance sheet 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 balance sheet is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the balance sheet, 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 balance sheet 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 balance sheet.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the balance sheet referred to above present fairly, in all material respects, the financial position of Sun Valley Center for the Arts, Inc. as of May 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Harris & Co. PLLC

Meridian, Idaho
February 2, 2016

SUN VALLEY CENTER FOR THE ARTS, INC.

BALANCE SHEET

May 31, 2015

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 367,646
Accounts receivable	89,614
Prepaid expenses	150,551
Total Current Assets	607,811
OTHER ASSETS, board designated	
Cash	13,262
Investments	981,098
	994,360
PROPERTY AND EQUIPMENT, net	3,933,485
Total Assets	$ 5,535,656

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 79,506
Accrued liabilities	48,248
Deferred income	303,896
Total Liabilities	431,650
NET ASSETS	
Unrestricted	
Undesignated	4,109,646
Designated for endowment fund	969,438
Total Unrestricted net assets	5,079,084
Permanently restricted	24,922
Total Net Assets	5,104,006
Total Liabilities and Net Assets	$ 5,535,656

See notes to the balance sheet

SUN VALLEY CENTER FOR THE ARTS, INC.

NOTES TO BALANCE SHEET

May 31, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Sun Valley Center for the Arts, Inc., (the Center) is a not-for-profit center dedicated to the improvement and encouragement of art in all its forms through educational means. 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 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.

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.

SUN VALLEY CENTER FOR THE ARTS, INC.

NOTES TO BALANCE SHEET (Continued)

May 31, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, the Center's uninsured balance totaled $1,040,381.

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, 2015, the Center had decided to reposition its capital campaign. As a result, all remaining pledge receivables were cancelled and written off. The Center plans on seeking new pledges for the revamped capital campaign in the future.

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. As of May 31, 2015, Management had written off all uncollectable pledges and all remaining receivables are fully collectable. No allowance was deemed necessary.

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.

SUN VALLEY CENTER FOR THE ARTS, INC.

NOTES TO BALANCE SHEET (Continued)

May 31, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 balance sheet, 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.

Deferred Revenue

Ticket sales pertaining to future events are deferred until the performance occurs. For the year ended May 31, 2015, the balance for deferred revenue was $303,896.

Compensated Absences

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

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 qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

SUN VALLEY CENTER FOR THE ARTS, INC.

NOTES TO BALANCE SHEET (Continued)

May 31, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Presentation of Certain Taxes

The Center collects various taxes from customers and remits these amounts to applicable taxing authorities. The Center's accounting policy is to exclude these taxes from revenues and cost of sales.

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 year 2015.

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 2011.

Subsequent Events

The Center has evaluated subsequent events through February 2, 2016, which is the date the financial statements were available to be issued.

NOTE B - INVESTMENTS

Investments as of May 31, 2015 are summarized as follows:

Cost	$ 862,769
Unrealized gain	118,329
Fair value	$ 981,098

SUN VALLEY CENTER FOR THE ARTS, INC.

NOTES TO BALANCE SHEET (Continued)

May 31, 2015

NOTE C - 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 measures its investments 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, 2015:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Mutual funds	$ 874,535	$ 874,535	$	$ 0
U.S. government securities	106,563	106,563		
Total	$ 981,098	$ 981,098	$ 0	$ 0

SUN VALLEY CENTER FOR THE ARTS, INC.

NOTES TO BALANCE SHEET (Continued)

May 31, 2015

NOTE D - PROPERTY AND EQUIPMENT

At May 31, 2015, property and equipment consists of the following:

Buildings and land	$ 3,594,426
Improvements	436,875
Furniture, fixtures and equipment	591,879
Construction in progress	274,381
	4,897,561
Less accumulated depreciation	964,076
	$ 3,933,485

As of May 31, 2015, the Center has elected to reposition its capital campaign. In doing so, the Center wrote down construction in progress to the balance that will continue to be used. Any amounts specifically associated with the prior location have been removed from the balance.

NOTE E - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets is to be used to cover maintenance costs on a new facility that is yet to be completed.

SUN VALLEY CENTER FOR THE ARTS, INC.

NOTES TO BALANCE SHEET (Continued)

May 31, 2015

NOTE F - 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.

SUN VALLEY CENTER FOR THE ARTS, INC.

NOTES TO BALANCE SHEET (Continued)

May 31, 2015

NOTE F - ENDOWMENT FUNDS (Continued)

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 5%, while growing the funds if possible. Therefore, the Center expects its endowment assets, over time, to produce an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The Center has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value as determined on the last day of the four most previous quarters preceding the determination of the corporation's budget for the forthcoming year. 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. The Center expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 7% annually. 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 as of May 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 969,438	$ 0	$ 0	$ 969,438
Donor restricted endowment funds			24,922	24,922
Total	$ 969,438	$ 0	$ 24,922	$ 994,360

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 League 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, 2015 there were no such deficiencies.