

HENRY & HORNE, LLP
CERTIFIED PUBLIC ACCOUNTANTS



Scottsdale, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015





HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Scottsdale Cultural Council
dba Scottsdale Arts

We have audited the accompanying financial statements of Scottsdale Cultural Council dba Scottsdale Arts (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scottsdale Cultural Council dba Scottsdale Arts as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Horne, LLP

Tempe, Arizona
October 20, 2016

arts
scottsdale

SCOTTSDALE CULTURAL COUNCIL
 DBA SCOTTSDALE ARTS
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,032,518	\$ 778,806
Accounts receivable	71,646	66,819
Income tax receivable	90,286	-
Promises to give, current portion, net of allowance for doubtful promises of \$33,000 as of June 30, 2016 and 2015	457,659	709,744
Inventories	139,190	117,883
Prepaid expenses	<u>23,691</u>	<u>139,452</u>
TOTAL CURRENT ASSETS	1,814,990	1,812,704
PROMISES TO GIVE, net of current portion	10,000	80,000
INVESTMENTS	5,602,898	5,917,404
ASSETS HELD UNDER SPLIT-INTEREST AGREEMENT	54,323	72,048
PROPERTY AND EQUIPMENT, net	1,742,705	741,089
OTHER ASSETS	<u>7,746</u>	<u>7,746</u>
TOTAL ASSETS	<u><u>\$ 9,232,662</u></u>	<u><u>\$ 8,630,991</u></u>

See accompanying notes.

	<u>2016</u>	<u>2015</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 137,972	\$ 166,516
Accrued expenses	265,426	303,860
Deferred revenue	678,445	732,529
Capital lease obligation, current portion	8,447	8,036
Liability under split-interest agreement, current portion	<u>8,600</u>	<u>8,600</u>
TOTAL CURRENT LIABILITIES	1,098,890	1,219,541
DEFERRED RENT	1,078,720	-
CAPITAL LEASE OBLIGATION, net of current portion	25,146	35,636
LIABILITY UNDER SPLIT-INTEREST AGREEMENT, net of current portion	<u>3,744</u>	<u>3,744</u>
TOTAL LIABILITIES	<u>2,206,500</u>	<u>1,258,921</u>
NET ASSETS		
Unrestricted:		
Unallocated	176,015	38,854
Board designated endowments	<u>545,769</u>	<u>575,102</u>
TOTAL UNRESTRICTED NET ASSETS	721,784	613,956
Temporarily restricted	693,363	1,149,599
Permanently restricted	<u>5,611,015</u>	<u>5,608,515</u>
TOTAL NET ASSETS	<u>7,026,162</u>	<u>7,372,070</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,232,662</u></u>	<u><u>\$ 8,630,991</u></u>

SCOTTSDALE CULTURAL COUNCIL
 DBA SCOTTSDALE ARTS
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, SUPPORT AND OTHER INCOME				
Earned revenues	\$ 3,484,218	\$ -	\$ -	\$ 3,484,218
Contract - City of Scottsdale	4,652,987	-	-	4,652,987
Contributions	1,538,552	362,100	2,500	1,903,152
Contributions- special event sponsorships	95,500	-	-	95,500
Other income	14,812	-	-	14,812
Net assets released from restrictions	814,354	(814,354)	-	-
	<u>10,600,423</u>	<u>(452,254)</u>	<u>2,500</u>	<u>10,150,669</u>
Special events income	277,594	-	-	277,594
Direct benefit to donors	(270,909)	-	-	(270,909)
	<u>6,685</u>	<u>-</u>	<u>-</u>	<u>6,685</u>
Retail sales	503,900	-	-	503,900
Cost of sales	(253,554)	-	-	(253,554)
	<u>250,346</u>	<u>-</u>	<u>-</u>	<u>250,346</u>
TOTAL REVENUES, SUPPORT AND OTHER INCOME	<u>10,857,454</u>	<u>(452,254)</u>	<u>2,500</u>	<u>10,407,700</u>
EXPENSES				
Program and center services	7,692,099	-	-	7,692,099
Support services:				
Administrative	1,936,887	-	-	1,936,887
Special events and development	1,134,802	-	-	1,134,802
TOTAL EXPENSES	<u>10,763,788</u>	<u>-</u>	<u>-</u>	<u>10,763,788</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN	93,666	(452,254)	2,500	(356,088)
INVESTMENT RETURN	<u>14,162</u>	<u>(3,982)</u>	<u>-</u>	<u>10,180</u>
CHANGE IN NET ASSETS	107,828	(456,236)	2,500	(345,908)
NET ASSETS, BEGINNING OF YEAR	<u>613,956</u>	<u>1,149,599</u>	<u>5,608,515</u>	<u>7,372,070</u>
NET ASSETS, END OF YEAR	<u>\$ 721,784</u>	<u>\$ 693,363</u>	<u>\$ 5,611,015</u>	<u>\$ 7,026,162</u>

See accompanying notes.

SCOTTSDALE CULTURAL COUNCIL
 DBA SCOTTSDALE ARTS
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, SUPPORT AND OTHER INCOME				
Earned revenues	\$ 3,222,938	\$ -	\$ -	\$ 3,222,938
Contract - City of Scottsdale	5,061,161	-	-	5,061,161
Contributions	971,458	738,220	25,000	1,734,678
Contributions- special event sponsorships	51,372	-	-	51,372
Other income	2,864	-	-	2,864
Net assets released from restrictions	639,485	(639,485)	-	-
	<u>9,949,278</u>	<u>98,735</u>	<u>25,000</u>	<u>10,073,013</u>
Special events income	629,702	-	-	629,702
Direct benefit to donors	(171,742)	-	-	(171,742)
	<u>457,960</u>	<u>-</u>	<u>-</u>	<u>457,960</u>
Retail sales	487,692	-	-	487,692
Cost of sales	(243,609)	-	-	(243,609)
	<u>244,083</u>	<u>-</u>	<u>-</u>	<u>244,083</u>
TOTAL REVENUES, SUPPORT AND OTHER INCOME	<u>10,651,321</u>	<u>98,735</u>	<u>25,000</u>	<u>10,775,056</u>
EXPENSES				
Program and center services	8,234,468	-	-	8,234,468
Support services:				
Administrative	2,004,370	-	-	2,004,370
Special events and development	1,050,695	-	-	1,050,695
TOTAL EXPENSES	<u>11,289,533</u>	<u>-</u>	<u>-</u>	<u>11,289,533</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN	(638,212)	98,735	25,000	(514,477)
INVESTMENT RETURN	(22,036)	(36,563)	-	(58,599)
CHANGE IN NET ASSETS	(660,248)	62,172	25,000	(573,076)
NET ASSETS, BEGINNING OF YEAR	<u>1,274,204</u>	<u>1,087,427</u>	<u>5,583,515</u>	<u>7,945,146</u>
NET ASSETS, END OF YEAR	<u>\$ 613,956</u>	<u>\$ 1,149,599</u>	<u>\$ 5,608,515</u>	<u>\$ 7,372,070</u>

See accompanying notes.

SCOTTSDALE CULTURAL COUNCIL
 DBA SCOTTSDALE ARTS
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (345,908)	\$ (573,076)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	248,021	238,368
Deferred rent	106,536	-
Realized and unrealized investment losses	225,672	257,299
Promise to give write-offs	80,820	2,650
Change in value of split-interest agreements	525	(7,539)
Loss on disposal of property and equipment	1,800	1,225
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(4,827)	29,063
Income tax receivable	(90,286)	-
Promises to give	241,265	(174,426)
Inventories	(21,307)	11,046
Prepaid expenses	115,761	(86,980)
Increase (decrease) in:		
Accounts payable and accrued expenses	(66,978)	76,177
Deferred revenue	(54,084)	191,426
	<u>437,010</u>	<u>(34,767)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of assets held under split-interest agreements	17,200	8,600
Purchases of property and equipment	(279,253)	(56,874)
Proceeds from sales of investments	892,220	2,021,152
Purchases of investments	<u>(803,386)</u>	<u>(1,926,065)</u>
	<u>(173,219)</u>	<u>46,813</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(10,079)</u>	<u>(652)</u>
	253,712	11,394
INCREASE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>778,806</u>	<u>767,412</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,032,518</u>	<u>\$ 778,806</u>

See accompanying notes.

SCOTTSDALE CULTURAL COUNCIL
DBA SCOTTSDALE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

The Scottsdale Cultural Council (SCC) dba Scottsdale Arts was incorporated in the state of Arizona on June 2, 1987 as a not-for-profit corporation organized exclusively for charitable, educational and scientific purposes under section 501(c)(3) of the Internal Revenue Code.

The principal purpose of SCC is planning, fostering, encouraging, supporting, creating, establishing, coordinating, presenting, producing, promoting, and managing educational, cultural and arts activities and facilities for the benefit of residents of the City of Scottsdale, Arizona and surrounding vicinity.

SCC operates three major programs:

- Scottsdale Center for the Performing Arts (SCPA) – This 82,500 square foot facility contains a theatre, a cinema, conference room and exhibition space. SCC is responsible for the administering, programming and fundraising to support the programs.
- Scottsdale Museum of Contemporary Arts (SMoCA) – The mission of SMoCA is to affect its community through the collection, preservation, interpretation and exhibition of works of modern and contemporary art, architecture and design. The program also offers education resources through exhibitions, scholarship, publication, education tours, programs, lectures and workshops.
- Public Art – This program invites residents and visitors to explore the City of Scottsdale's Public Art Collection. Located throughout the city, sculpture and integrated artworks can be found in parks, libraries, along roadways, in public buildings and other public places. The program was established in 1985 and is dedicated to enhancing urban spaces by commissioning art that creates a sense of place and improves the built environment.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, SCC considers all highly liquid debt instruments with an original maturity of ninety days or less at date of acquisition to be cash equivalents. Cash held in accounts with stock brokerage firms are reported as investments as they represent accounts used for the purchases and sales of investments.

SCOTTSDALE CULTURAL COUNCIL
DBA SCOTTSDALE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Accounts Receivable

Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. SCC evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. Accounts are charged off against the allowance when they are deemed to be uncollectible. Accounts receivable as of June 30, 2016 and 2015 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Promises to Give

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give that are 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. The discounts on those amounts are computed using risk-free interest rates as determined by management applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, SCC records a specific reserve to reduce the amounts recorded to what it believes will be collected. Promises are charged off against the allowance when they are deemed to be uncollectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Inventories

Inventories consist of museum store and performing arts center store (retail) inventory and is carried at the lower of cost or market determined by the average cost method.

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and provides a fair value hierarchy that 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).

SCOTTSDALE CULTURAL COUNCIL
DBA SCOTTSDALE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Fair Value Measurements (Continued)

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SCC has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect SCC's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments are recorded at fair value as determined by quoted market prices in active markets or by net asset value as determined by third parties. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change in net assets in the accompanying statement of activities, unless the income or loss is restricted by donor or law.

SCOTTSDALE CULTURAL COUNCIL
DBA SCOTTSDALE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Landlord-paid tenant improvements are recorded as building improvements as part of property and equipment, and as a liability that is part of deferred rent. The asset is amortized over the shorter of the life of the building improvements or the life of the lease and recorded as part of amortization expense. The liability is amortized over the life of the lease as a reduction of amortization expense.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

SCC reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Endowment Funds

SCC's endowment funds consist of seven individual funds established for a variety of purposes. Its endowment funds include both donor-restricted funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

SCC follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs SCC to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continue in perpetuity.

SCOTTSDALE CULTURAL COUNCIL
DBA SCOTTSDALE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Endowment Funds (Continued)

SCC 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-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SCC in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, SCC 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) SCC's other resources, and (7) SCC's investment policies.

As of June 30, 2016 and 2015, the Board of Trustees had designated \$545,769 and \$575,102, respectively, of unrestricted net assets as general endowment funds to support the mission of SCC. Since these amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as unrestricted net assets. The source of the amounts making up these endowment funds were from three significant donations received in prior years. SCC's policy is to segregate these amounts into separate investment accounts and to maintain the board designated net asset balance at the investment account balance until the Board of Trustees approves spending from the funds. As of June 30, 2016, the Board of Trustees plans to maintain these funds as reserves.

Permanently restricted net assets include the original value of gifts donated to the permanent endowments for SCPA and SMoCA.

Investment Return Objectives, Risk Parameters and Strategies. SCC 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. Endowment assets are invested in a well-diversified asset mix 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.

SCOTTSDALE CULTURAL COUNCIL
DBA SCOTTSDALE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Endowment Funds (Continued)

Therefore, SCC expects its endowment assets, over time, to produce an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. SCC's policy is to appropriate a certain amount for distribution each year. The amount is calculated at 5% of the three year moving average of quarterly valuations of the endowment funds, equally weighted as of March 31 of the previous year. The estimated value is determined as of the beginning of the fiscal year. In establishing this policy, SCC 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. SCC expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 4% annually, which is consistent with SCC's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Deferred Rent

SCC records rent expense on a straight-line basis from the inception of the lease. Any difference between the calculated expense and the amounts actually paid are included in the deferred rent liability in the accompanying statements of financial position. Deferred rent also includes landlord-paid tenant improvements.

Deferred Revenues

Deferred revenues include deferred membership sales, deferred contract revenues and deferred ticket sales. Membership, contract and ticket revenues are recorded as income in the year in which they are earned. Fees collected in advance of services provided are recorded as deferred revenues until such time as SCC has earned the related revenue.

Revenue Recognition

Earned revenues consist primarily of performance ticket sales and sales of merchandise. Revenue related to the current season's ticket sales is recognized in the current year. Proceeds from ticket sales received prior to the fiscal year in which the performance occurs are not recognized as revenue until the performance occurs. Related costs are reported as expenses in the period in which the revenues are recognized. Retail sales revenue is reported net of sales taxes.

SCOTTSDALE CULTURAL COUNCIL
DBA SCOTTSDALE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Contributions

Contributions, grants and bequests, including promises to give, are received and recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, SCC reports the support as unrestricted.

Contributions of donated non-monetary assets (in-kind donations) are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donated services, are recorded at their fair market values in the period received. SCC utilizes the services of numerous volunteers who support the programs and activities of the organization by performing services such as docents, ushers and assisting with food and beverage concessions and the Museum Store. This support has not been recorded in the accompanying financial statements as it does not meet the recognition criteria.

Advertising

SCC uses advertising to promote its programs to the community. Advertising costs are charged to operations as incurred. Advertising expense charged to operations was approximately \$593,000 and \$521,000 for the years ended June 30, 2016 and 2015, respectively. Included in advertising expense was approximately \$64,000 and \$29,000 in donated advertising for the years ended June 30, 2016 and 2015, respectively.

Income Tax Status

SCC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, SCC has been classified as an organization that is not a private foundation under Section 509(a)(3). However, income determined to be unrelated business taxable income (UBTI) would be subject to income tax. During the years ended June 30, 2016 and 2015, SCC incurred income tax expense of approximately \$18,000 and \$55,000 respectively, relating to UBTI. SCC has income taxes receivable of approximately \$90,000 at June 30, 2016.

SCOTTSDALE CULTURAL COUNCIL
DBA SCOTTSDALE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Income Tax Status (Continued)

SCC recognizes uncertain tax positions in the financial statements when it is more likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of June 30, 2016 and 2015, SCC had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

SCC recognizes interest and penalties associated with income tax in operating expenses. During the years ended June 30, 2016 and 2015, SCC did not have any income tax related interest and penalty expense.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Risk and Uncertainty

SCC invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes, could materially affect the amount reported in the statements of financial position.

Date of Management's Review

In preparing these financial statements, SCC has evaluated events and transactions for potential recognition or disclosure through October 20, 2016, the date the financial statements were available to be issued.

SCOTTSDALE CULTURAL COUNCIL
DBA SCOTTSDALE ARTS
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 2 CONCENTRATIONS

Financial instruments that subject SCC to potential concentrations of credit risk consist principally of cash and cash equivalents and accounts receivables. SCC maintains its cash in bank accounts with financial institutions and stock brokerage firms. As of June 30, 2016 and 2015, SCC's bank balances exceeded federally insured limits by approximately \$746,000 and \$654,000, respectively. Balances with stock brokerage firms are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation (SIPC). Balances over \$500,000 are insured by the brokerage firms. SCC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Accounts receivable as of June 30, 2015 includes approximately \$28,000 due from the City of Scottsdale for project expenses for the Art in Public Places programs. This amount represents 39% of the total accounts receivable as of June 30, 2015. Concentrations of credit risk with respect to accounts receivable are limited due to the nature of the receivables and the collection history of these types of accounts. SCC requires no collateral on its accounts receivable.

NOTE 3 CONTRACT – CITY OF SCOTTSDALE

On May 20, 2008, SCC renewed its contract (Contract No 2008-048-COS) with the City of Scottsdale to provide advisory and management services with regard to the arts and cultural programs and facilities of the city. The term of the renewed agreement is for a 10-year period which began on July 1, 2008, with an automatic renewal of an additional 10-year period, unless it is terminated early when either party gives six months' notice of intent not to renew.

By execution of the agreement, the City of Scottsdale acknowledged SCC as the principal organization through which arts and cultural activities will be undertaken and as the official advisory and planning body of arts and culture for the City of Scottsdale. SCC is not a department or operating agency of the City of Scottsdale; however, due to SCC's dependency on the City of Scottsdale for support, material transactions with the City of Scottsdale have been disclosed.

In addition to providing advisory and planning services, SCC is responsible for managing, operating and programming the Scottsdale Center for the Performing Arts (SCPA), Scottsdale Museum of Contemporary Art (SMoCA), Art in Public Places Program and other City of Scottsdale owned facilities as designated in the agreement.

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NOTE 3 CONTRACT – CITY OF SCOTTSDALE (Continued)

SCC retains all revenue from ticket sales, facilities rentals and concessions, and is responsible for all costs associated with those programs including security, maintenance, utilities and taxes. SCC may undertake structural changes to SCPA, at its expense, with Scottsdale City Council approval, if appropriate.

The City of Scottsdale provided funding to SCC under this contract as follows:

	<u>2016</u>	<u>2015</u>
Administrative funding	\$ 3,679,359	\$ 3,565,007
Art in Public Places Fund - administrative fees	587,922	670,910
Art in Public Places Fund - project costs	<u>385,706</u>	<u>825,244</u>
Total contract - City of Scottsdale	<u>\$ 4,652,987</u>	<u>\$ 5,061,161</u>

Total contract revenue from the City of Scottsdale represented 44% and 47% of total revenues during the years ended June 30, 2016 and 2015, respectively. Earned revenues are also dependent on the continuation of the contract with the City of Scottsdale. Management does not expect their relationship with the City of Scottsdale to discontinue anytime in the near future.

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NOTE 4 ART IN PUBLIC PLACES FUND

In accordance with the contract with the City of Scottsdale, SCC shall administer the City of Scottsdale's public art program. SCC shall perform the acts and functions designated in the Scottsdale Revised Code, or amendments thereto. SCC is required to establish guidelines for the administration of the public art program, which shall at all times contain provisions and procedures for the appeal of decisions concerning the public art program to the City Council. SCC shall also be responsible for the accession and deaccession of artworks, the maintenance of the City of Scottsdale's permanent art collection and activities associated with these responsibilities.

Funds obtained by SCC pursuant to this contract are from the City of Scottsdale's Art in Public Places Fund and other City sources and shall only be used for the purposes described in the Scottsdale Revised Code and for associated administrative and programmatic costs. For any specific projects which remain incomplete at the end of the fiscal year, SCC may request, through the contract administrator, to retain unspent funds in the fiscal year in which they were requested up to the amount needed to complete the specific project. Also, any funds received by SCC from the City during the year, but not yet spent as of the end of the year, can be applied to projects in the next fiscal year. As of June 30, 2016 and 2015, \$81,487 and \$71,075, respectively, was included in deferred revenue for this purpose.

Additional funds from the City of Scottsdale's Art in Public Places Fund may be requested by SCC during the fiscal year for the purpose of project cost overruns or unforeseen circumstances if there are funds available within the City of Scottsdale's Art in Public Places Fund and upon written approval of the contract administrator.

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NOTE 4 ART IN PUBLIC PLACES FUND (Continued)

SCC had the following activity regarding the City of Scottsdale's Art in Public Places Fund during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Deferred, beginning of year	\$ 71,075	\$ 52,785
Funds received and invoiced during the year:		
Contract program payments received	702,636	689,200
Project payments received	274,416	797,376
Project payments receivable	5,600	27,783
Less expenses (revenue recognized on the contract during the year):		
Contract program expenses	(587,922)	(670,910)
Project expenses and other expenditures	<u>(384,318)</u>	<u>(825,159)</u>
Deferred, end of year	<u>\$ 81,487</u>	<u>\$ 71,075</u>

NOTE 5 PROMISES TO GIVE

Promises to give consist of the following unconditional promises to give at June 30:

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 490,659	\$ 742,744
Receivable in two to five years	<u>10,000</u>	<u>80,000</u>
Total promises to give	500,659	822,744
Allowance for uncollectible promises	<u>(33,000)</u>	<u>(33,000)</u>
Net promises to give	467,659	789,744
Current portion	<u>(457,659)</u>	<u>(709,744)</u>
Non-current portion	<u>\$ 10,000</u>	<u>\$ 80,000</u>

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NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments with readily determinable fair values are measured at fair value in the statement of financial position as determined by quoted market prices in active markets (Level 1). Alternative investments include investments in private debt, which are valued at net asset value based on information provided by the investment fund manager.

The following is a summary of financial instruments measured at fair value and net asset value on a recurring basis at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash	\$ 36,087	\$ -	\$ -	\$ 36,087
Bond funds	894,744	-	-	894,744
Mutual funds	3,910,068	-	-	3,910,068
Exchange traded funds	<u>292,048</u>	<u>-</u>	<u>-</u>	<u>292,048</u>
 Total investments measured at fair value	 <u>\$ 5,132,947</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>5,132,947</u>
 Alternative investments measured at net asset value				 <u>469,951</u>
 Total investments				 <u>\$ 5,602,898</u>
 Split interest agreement investments:				
Cash	1,561	-	-	1,561
Bond funds	15,309	-	-	15,309
Mutual funds	<u>37,453</u>	<u>-</u>	<u>-</u>	<u>37,453</u>
 Total split interest agreement investments measured at fair value	 <u>\$ 54,323</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>54,323</u>
 Total financial instruments				 <u>\$ 5,657,221</u>

In accordance with Accounting Standards, certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The net asset value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

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NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a summary of financial instruments measured at fair value on a recurring basis at June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash	\$ 44,626	\$ -	\$ -	\$ 44,626
Bond funds	1,666,830	-	-	1,666,830
Mutual funds	3,922,491	-	-	3,922,491
Exchange traded funds	<u>283,457</u>	<u>-</u>	<u>-</u>	<u>283,457</u>
 Total investments	 <u>5,917,404</u>	 <u>-</u>	 <u>-</u>	 <u>5,917,404</u>
Split interest agreement investments:				
Cash	834	-	-	834
Bond fund	21,957	-	-	21,957
Mutual funds	<u>49,257</u>	<u>-</u>	<u>-</u>	<u>49,257</u>
 Total split interest agreement investments	 <u>71,214</u>	 <u>-</u>	 <u>-</u>	 <u>72,048</u>
 Total financial instruments	 <u><u>\$ 5,988,618</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 5,989,452</u></u>

Investment return is summarized as follows for the year ended June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 271,737	\$ 235,053
Investment fees	(35,885)	(36,353)
Realized investment gain	41,462	102,573
Unrealized investment loss	<u>(267,134)</u>	<u>(359,872)</u>
 Investment return	 <u><u>\$ 10,180</u></u>	 <u><u>\$ (58,599)</u></u>

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NOTE 7 SPLIT-INTEREST AGREEMENT

During 2003, SCC received a charitable gift annuity from a donor in the amount of \$100,000. The annuity agreement requires SCC to pay the donor an amount of \$8,600 each year of his life beginning in December 2003. At the time of receipt, SCC recorded the investment at its fair value at the date of gift and recorded an annuity payment liability of \$63,944, which was the present value of actuarially determined estimated future cash payments to the donor. The difference between the fair value of the charitable gift annuity and the annuity payment liability of \$36,056 was recognized as a permanently restricted contribution during 2003, as the donor specified that the remainder amount is to be retained in SCC's SMOCA endowment. As of both June 30, 2016 and 2015, the present value of the annuity payment liability is \$12,344, with \$8,600 current each year. To calculate the present value of the charitable gift annuity, management used the applicable federal rate of approximately 4% over the estimated donor's life expectancy. SCC maintains the original donated amount in a separate investment account (see Note 6).

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Building improvements	\$ 4,282,874	\$ 3,270,885
Computer equipment	463,322	462,288
Furniture, fixtures and equipment	1,681,279	1,520,453
Software license	268,212	243,629
Gift shop equipment	62,339	62,339
Café equipment	<u>20,855</u>	<u>37,424</u>
	6,778,881	5,597,018
Accumulated depreciation and amortization	<u>(5,036,176)</u>	<u>(4,855,929)</u>
	<u>\$ 1,742,705</u>	<u>\$ 741,089</u>

Depreciation and amortization expense was \$248,021 and \$238,368 for the years ended June 30, 2016 and 2015, respectively.

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NOTE 9 LINE OF CREDIT

SCC has a line of credit with a bank available in the amount of \$500,000. This line has a maturity date of May 30, 2017 and bears interest at the rate of bank's prime plus .5% with a floor of 5%. There was no balance outstanding on this line as of June 30, 2016 and 2015.

NOTE 10 CAPITAL LEASE OBLIGATIONS

During the year ended June 30, 2015, SCC entered into a capital lease for office equipment, expiring in 2020. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the life of the lease. The interest rate on this capital lease is 5%.

Office equipment in the amount of \$44,324 and accumulated amortization of \$8,730 and \$739 are included in property and equipment, net on the accompanying statement of financial position as of June 30, 2016 and 2015, respectively.

Future maturities of the obligation under capital lease are as follows:

Years Ending June 30

2017	\$ 10,037
2018	10,037
2019	10,037
2020	<u>7,159</u>
Total minimum lease payments	37,270
Less amount representing interest	<u>(3,677)</u>
Total future minimum lease payments	33,593
Less current maturities	<u>(8,447)</u>
Noncurrent portion	<u><u>\$ 25,146</u></u>

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NOTE 11 ENDOWMENT FUNDS

Endowment net asset composition by type of fund as June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Funds</u>
Donor-restricted endowment funds	\$ (543,367)	\$ 43,804	\$ 5,611,015	\$ 5,111,452
Board-designated endowment funds	<u>545,769</u>	<u>-</u>	<u>-</u>	<u>545,769</u>
Total endowment funds	<u>\$ 2,402</u>	<u>\$ 43,804</u>	<u>\$ 5,611,015</u>	<u>\$ 5,657,221</u>

Endowment net asset composition by type of fund as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Funds</u>
Donor restricted endowment funds	\$ (284,585)	\$ 90,420	\$ 5,608,515	\$ 5,414,350
Board designated endowment funds	<u>575,102</u>	<u>-</u>	<u>-</u>	<u>575,102</u>
Total endowment funds	<u>\$ 290,517</u>	<u>\$ 90,420</u>	<u>\$ 5,608,515</u>	<u>\$ 5,989,452</u>

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NOTE 11 ENDOWMENT FUNDS (Continued)

Changes in endowment funds for the years ended June 30, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Funds</u>
Endowment funds, June 30, 2014	\$ 601,512	\$ 157,872	\$ 5,583,515	\$ 6,342,899
Contributions	-	-	25,000	25,000
Interest and dividends	22,364	212,689	-	235,053
Realized gains	2,473	100,100	-	102,573
Unrealized losses	(304,248)	(84,281)	-	(388,529)
Investment fees	(3,500)	(32,853)	-	(36,353)
Amounts appropriated for expenditure	<u>(28,084)</u>	<u>(263,107)</u>	<u>-</u>	<u>(291,191)</u>
Endowment funds, June 30, 2015	290,517	90,420	5,608,515	5,989,452
Contributions	-	-	2,500	2,500
Interest and dividends	25,273	246,464	-	271,737
Realized gains	3,384	38,078	-	41,462
Unrealized gains (losses)	(281,742)	8,999	-	(272,743)
Investment fees	(3,443)	(32,442)	-	(35,885)
Amounts appropriated for expenditure	<u>(31,587)</u>	<u>(307,715)</u>	<u>-</u>	<u>(339,302)</u>
Endowment funds, June 30, 2016	<u>\$ 2,402</u>	<u>\$ 43,804</u>	<u>\$ 5,611,015</u>	<u>\$ 5,657,221</u>

The fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor requires SCC to retain as a fund of perpetual duration at times. Deficiencies of this nature that are reported in unrestricted net assets were approximately \$543,000 and \$285,000 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriations for certain programs that were deemed prudent by the Board of Directors.

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NOTE 12 RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
The portion of perpetual endowment funds subject to a restriction under MCFA	\$ 43,804	\$ 90,420
Purpose restrictions:		
Wolf Trap	279,559	267,459
Performing Arts Season	160,000	226,170
Museum Exhibitions	40,000	62,500
Virginia G. Piper Piano Series	40,000	40,000
Arts Festival	37,500	-
Administrative Staff Salary - SMOCA	20,000	20,000
Sunday A'Fair	15,000	10,000
Canal Convergence	15,000	-
Cultural Connections	12,500	11,800
ArtStart - SMOCA	12,500	12,500
Visions	10,000	-
Celebrations	7,500	-
Gala	-	276,000
Discovery Series	-	60,000
Tessitura Non-Profits Expansion	-	33,500
SMoCA Mix	-	33,000
Center Stage Awards and other	-	6,250
	<u>693,363</u>	<u>1,149,599</u>
Total temporarily restricted net assets	<u>\$ 693,363</u>	<u>\$ 1,149,599</u>

Included in the above purpose restrictions are \$467,659 and \$789,744 of promises to give as of June 30, 2016 and 2015, respectively.

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NOTE 12 RESTRICTED NET ASSETS (Continued)

Permanently restricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
SMoCA endowment	\$ 4,019,885	\$ 4,019,885
SCPA endowment	1,116,506	1,116,506
SCPA special endowment	438,568	436,068
SMoCA charitable gift annuity trust	<u>36,056</u>	<u>36,056</u>
 Total permanently restricted net assets	 <u>\$ 5,611,015</u>	 <u>\$ 5,608,515</u>

NOTE 13 BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
English Trust Quasi-endowment	\$ 310,404	\$ 330,219
Herman Bequest Quasi-endowment	108,137	113,338
Miller-Mills Quasi-endowment	<u>127,228</u>	<u>131,545</u>
 Total Board designated net assets	 <u>\$ 545,769</u>	 <u>\$ 575,102</u>

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NOTE 14 EARNED REVENUES AND CONTRIBUTIONS

Earned revenues consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Ticket sales	\$ 2,192,608	\$ 1,954,801
Box office service charges	116,910	123,790
Facility and equipment rental and labor reimbursement	440,179	476,354
Arts Festival revenue	277,813	262,770
Food and beverage and other operating income	188,704	188,768
Education revenue	92,901	82,094
Native Trails program	70,000	70,000
Exhibition admissions and other museum revenue	64,828	27,882
Membership	28,884	29,584
Student performances	11,391	6,895
	<u>\$ 3,484,218</u>	<u>\$ 3,222,938</u>

Contributions consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Individuals	\$ 458,835	\$ 458,242
Donated goods and services	398,073	285,167
Foundations	331,629	270,600
Memberships	275,574	255,048
Corporations	272,241	393,621
Government	166,800	72,000
	<u>\$ 1,903,152</u>	<u>\$ 1,734,678</u>

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NOTE 15 CITY OF SCOTTSDALE COLLECTION OF FINE ART

The City of Scottsdale collection of fine art consists of purchased, commissioned and donated works of art. SCC employs a Director of Public Art to ensure that the collection items are preserved and protected. These collections are not capitalized by SCC and are the property of the City of Scottsdale. There were no purchases of collection items in the years ended June 30, 2016 and 2015. Costs related to commissioned works of art were \$440,649 and \$930,377 for the years ended June 30, 2016 and 2015, respectively. Proceeds from deaccession and insurance recoveries, if any, are included as revenues. There were no deaccessions during the years ended June 30, 2016 and 2015.

NOTE 16 PENSION PLAN

SCC has a 401(k) profit sharing plan for all eligible employees. Employees 21 years of age or older with at least one year and 1,000 hours of service are eligible to participate in the plan effective on the plan entry dates of July 1 and January 1. SCC will make 100% matching contributions to the plan up to the first 3% of employee compensation, and 50% matching contributions up to the next 2% of employee compensation. Retirement benefits under this form of a pension plan are limited to the value of each participant's account at the time of retirement; therefore, vested benefits will not exceed the value of the participant's account at any time. The employer's contribution to the plan was \$81,487 and \$75,967 for the years ended June 30, 2016 and 2015, respectively.

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NOTE 17 OPERATING LEASES

SCC leases its office space and certain office equipment under a non-cancelable operating lease expiring in July 2026. Current monthly lease payments are approximately \$11,000 plus applicable taxes and other operating costs, and escalate through the term of the lease. Any difference between the calculated expense and the amount actually paid is recorded as a deferred rent liability in the accompanying statements of financial position.

The future minimum rental commitments under this non-cancelable operating lease are as follows:

Years Ending June 30

2017	\$ 190,861
2018	254,481
2019	257,189
2020	262,603
2021	268,018
Thereafter	<u>1,470,939</u>
	<u>\$ 2,704,091</u>

Total rental expense under operating leases was approximately \$142,000 and \$231,000 for the years ended June 30, 2016 and 2015, respectively.

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NOTE 18 COMMUNITY ARTS GRANTING PROGRAM

SCC made the following grants under the Community Arts Granting Program for the years ending June 30:

	<u>2016</u>	<u>2015</u>
Childsplay, Inc.	\$ 10,000	\$ 7,600
Detour Theatre Company	9,250	9,600
Free Arts of Arizona	9,250	5,600
Arizona MusicFest	9,000	-
Scottsdale Artist School	8,000	3,000
Arizona Theatre Company	7,000	3,200
Desert Foothills Theater	6,000	4,000
Phoenix Conservatory of Music	6,000	-
Grand Canyon Music Festival	5,000	-
Jazz in Arizona, Inc.	4,000	3,200
Musica Nova	3,000	-
Scottsdale Philharmonic	2,500	-
Scottsdale Training and Rehabilitation Services	1,000	-
The Scottsdale International Film Festival	-	10,800
Phoenix Symphony Association	-	4,800
Movement Source Dance Company	-	1,000
	<u>\$ 80,000</u>	<u>\$ 52,800</u>
Total grants		

This amount is included in program and center services on the accompanying statement of activities.

SCC also awarded conditional promises for community grants for the next fiscal year in the amount of \$60,000. The payment of these grants is conditional on receipt of grant funding from the City of Scottsdale.

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NOTE 18 COMMUNITY ARTS GRANTING PROGRAM (Continued)

SCC provided in-kind subsidies to the following charitable organizations in the form of reduced rent, labor, equipment and other miscellaneous services. The following subsidies are not recorded in the accompanying financial statements:

	<u>2016</u>	<u>2015</u>
India Association of Phoenix	\$ 4,080	\$ 4,000
Asian Festival	3,975	-
Free Arts of Arizona	3,250	3,150
Arathi School of Dance	2,350	-
Scottsdale Unified School District	2,300	4,200
International Interior Design Association	1,950	-
Phoenix Symphony	1,300	9,100
Scottsdale Philharmonic	-	4,200
ProMusic	-	950
	<u> </u>	<u> </u>
Total subsidies	<u>\$ 19,205</u>	<u>\$ 25,600</u>