

Paso Robles Youth Arts Foundation

INDEPENDENT AUDITORS' REPORT
and
FINANCIAL STATEMENTS
December 31, 2019

Paso Robles Youth Arts Foundation
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
December 31, 2019

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Independent Auditors' Report

Board of Directors
Paso Robles Youth Arts Foundation
Paso Robles, California

We have audited the accompanying financial statements of Paso Robles Youth Arts Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities, statement of functional expenses, and statement of 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 of material misstatements.

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.

Paso Robles Youth Arts Foundation
Independent Auditors' Report (continued)
December 31, 2019

Auditor's responsibility (continued)

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 Paso Robles Youth Arts Foundation as of December 31, 2019, and the results of its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


BURKART & STEVENS,
an Accountancy Corporation

San Luis Obispo, CA
March 9, 2020

Paso Robles Youth Arts Foundation

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets			
Cash and cash equivalents (Note 2)	\$ 317,272	\$ 333,754	\$ 651,026
Accounts receivable	1,425	-	1,425
Grants receivable	7,970	-	7,970
Pledges receivable (Notes 2 and 4)	-	114,500	114,500
Prepaid expenses	6,317	-	6,317
Total Current Assets	332,984	448,254	781,238
Property and Equipment (Notes 2 and 3)	1,277,941	-	1,277,941
Other non-current assets			
Pledges receivable, net of allowance for doubtful pledges of \$ 7,994 (Note 4)	-	92,006	92,006
Security deposit	400	-	400
Total other non-current assets	400	92,006	92,406
Total Assets	\$ 1,611,325	\$ 540,260	\$ 2,151,585

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 3,717	\$ -	\$ 3,717
Payroll liabilities	8,761	-	8,761
Other accounts payable	2,927	-	2,927
Security deposits	1,132	-	1,132
Total Current Liabilities	16,537	-	16,537

Net Assets

Without donor restrictions (Notes 2 and 5)	1,594,788	-	1,594,788
With donor restrictions (Notes 2 and 5)	-	540,260	540,260
Total Net Assets	1,594,788	540,260	2,135,048
Total Liabilities and Net Assets	\$ 1,611,325	\$ 540,260	\$ 2,151,585

See independent auditors' report

The accompanying notes are an integral part of these financial statements

Paso Robles Youth Arts Foundation
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public Support:			
Contributions	\$ 111,611	\$ 855,795	967,406
Grants	43,422	20,528	63,950
Fundraising and special event income, net of \$ 42,316 in direct fundraising expenses	97,515	-	97,515
Donated materials and services (in-kind) (Note 8)	73,793	-	73,793
Total Public Support	326,341	876,323	1,202,664
Revenue:			
Programs revenue	62,959	-	62,959
Facility rental	14,839	-	14,839
Concessions	4,341	-	4,341
Advertising	785	-	785
Realized gain on investments	4,571	-	4,571
Interest	887	-	887
Other	2,842	-	2,842
Total Revenue	91,224	-	91,224
Public Support and Revenue	417,565	876,323	1,293,888
Net assets released from restriction (Note 7)	403,575	(403,575)	-
Total Public Support and Revenue	821,140	472,748	1,293,888
Expenses			
Program services	329,415	-	329,415
Support services:			
Fundraising	104,998	-	104,998
Management & general	97,101	-	97,101
Total Expenses (Page 5)	531,514	-	531,514
Change in net assets	289,626	472,748	762,374
Net assets as of beginning of year	1,305,162	67,512	1,372,674
Net assets as of end of year	\$ 1,594,788	\$ 540,260	2,135,048

See independent auditors' report
The accompanying notes are an integral part of these financial statements

Paso Robles Youth Arts Foundation
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Support Services		Total
		Fundraising	Management & General	
Salaries and wages	\$ 158,149	\$ 72,716	\$ 20,217	\$ 251,082
Employee benefits	-	3,023	2,760	5,783
Payroll taxes	13,292	6,118	1,688	21,098
Advertising	3,646	868	275	4,789
Awards	725	247	29	1,001
Bank charges	670	2,210	32	2,912
Bad debt	8,340	-	-	8,340
Catering	-	5,600	1,791	7,391
Depreciation (Notes 2 and 3)	37,902	1,666	2,083	41,651
Dues and subscriptions	31	27	653	711
Education	-	155	390	545
Equipment rent	-	10,159	1,075	11,234
Fingerprinting	189	-	314	503
Gardening	-	100	3,240	3,340
Gifts	100	-	100	200
Insurance	8,257	2,013	3,524	13,794
Interest	-	-	10,946	10,946
Janitorial	22,609	994	1,242	24,845
Legal & accounting	-	-	5,817	5,817
Licenses & fees	690	3,308	2,085	6,083
Maintenance	7,325	307	384	8,016
Miscellaneous	1	123	9	133
Minor purchases	545	-	429	974
Outside services	34,494	20,698	19,917	75,109
Payroll processing	-	-	3,908	3,908
Postage	695	2,404	170	3,269
Printing	1,628	1,196	2,012	4,836
Royalties	3,670	223	-	3,893
Security	1,735	76	96	1,907
Supplies	12,244	11,279	10,132	33,655
Taxes	-	-	474	474
Telephone	2,597	474	503	3,574
Travel & meetings	1,642	787	367	2,796
Utilities	8,239	543	439	9,221
Less: Amount allotted to direct fundraising expenses	-	(42,316)	-	(42,316)
Totals	\$ 329,415	\$ 104,998	\$ 97,101	\$ 531,514

See independent auditors' report
The accompanying notes are an integral part of these financial statements

Paso Robles Youth Arts Foundation
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	2019
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 762,374
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	41,651
Change in accounting principles	-
(Increase) decrease in accounts receivable	(1,425)
(Increase) decrease in grants receivable	(1,440)
(Increase) decrease in pledges receivable	(206,506)
(Increase) decrease in prepaid expenses	302
(Increase) decrease in deposits	(400)
Increase (decrease) in accounts payable	(3,428)
Increase (decrease) in payroll liabilities	1,602
Increase (decrease) in security deposits	(552)
Increase (decrease) in other payables	4
Net cash provided by operating activities	592,182
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of fixed assets	(1,275)
Net cash flows provided (used) by investing activities	(1,275)
CASH FLOWS FROM FINANCING ACTIVITIES	
Change in loan payable	(272,035)
Net cash flows provided (used) by financing activities	(272,035)
NET INCREASE (DECREASE) IN CASH	318,872
CASH AS OF BEGINNING OF YEAR	332,154
CASH AS OF END OF YEAR	\$ 651,026

Income tax paid in 2019: \$ 0

Interest paid in 2019: \$ 10,946

See independent auditors' report
The accompanying notes are an integral part of these financial statements

Paso Robles Youth Arts Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1: ORGANIZATION

Organization and Nature of Activities

Paso Robles Youth Arts Foundation is a non-profit, private foundation organized under the laws of the State of California. The Organization's purpose is to serve children aged 5-18 each year by offering free classes in dance, theater, music, art and digital media. The Organization was incorporated on July 1, 1998.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, which recognizes revenue as gross income when earned and operating expenses as deductions from gross income when incurred. The direct write off method is used to write off uncollectible accounts when they become known.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) No. 2016-14, *Financial Statements of Not-for-Profit Entities*. Under ASU No. 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- Net assets without donor restrictions represent expendable funds available for operations which are not limited otherwise by donor restrictions and net assets released from those with donor restrictions are due to the terms of the restrictions or contingencies being met.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions or restrictions voluntarily approved and imposed by the Board of Directors. These restrictions are contingent upon specific performance of a future event or a specific passage of time.
- Also included are those which are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations. The Foundation has none of this nature at this time.

Revenue Recognition

The Foundation reports gifts of cash and other assets as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. The Foundation reports donor restricted gifts as net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when donor restrictions are satisfied. Gifts with restrictions that are satisfied within the same reporting period are recorded as contributions without donor restrictions.

Paso Robles Youth Arts Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Cash and Cash Equivalents

Cash and cash equivalents include cash deposited in checking accounts for operational purposes and funds invested in highly liquid money market, certificate of deposit account and U.S. Treasury Bills.

Accounts and Grants Receivable

Accounts and grants receivable that are program specific are shown net of an allowance for doubtful accounts estimated based upon amounts that are deemed uncollectible. Management has determined that there are no uncollectible accounts at December 31, 2019.

Pledges Receivable

Pledges receivable for the capital campaign are shown net of an allowance for doubtful accounts estimated based upon amounts that are deemed uncollectible. Based upon management estimates, management has estimated that the allowance for doubtful pledges is \$ 7,994 at December 31, 2019.

Property and Equipment

Property and equipment over \$1,000 are recorded at cost at the date of acquisition or at fair market value when contributed. Repairs and maintenance are charged to expense when incurred. Depreciation expense is calculated on the straight-line and accelerated methods over the useful life of five to thirty-nine years.

Use of Estimates

The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is a not-for-profit organization and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Cal. Rev. & Tax Dc. Sec. 23701(d).

In 2014, the Foundation filed a notification of intent with the Internal Revenue Service to terminate its private foundation status under section 507 (b)(1)(B) with a change to a public charity under section 509(a)(1).

An advanced letter ruling period of 60 months began January 1, 2015 and ends December 31, 2019. All 2019 exempt organization informational returns will be filed.

Paso Robles Youth Arts Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

In-Kind Donations

Contributions of donated non-cash assets 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 provided by individuals possessing those skills that would typically need to be purchased if not provided by donation, if any, are recorded at their fair values in the period received. The amounts reflected in the accompanying financial statements as in-kind donations are offset by like amounts included in expenses or assets.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3: FIXED ASSETS

Summaries of fixed assets by major classifications at December 31, 2019 are as follows:

	<u>2019</u>
Building	\$ 790,251
Improvements	572,124
Furniture and equipment	<u>60,932</u>
Total fixed assets	1,423,307
Less accumulated depreciation	<u>(590,841)</u>
Net property and equipment	832,466
Land	<u>445,475</u>
Total property and equipment	<u>\$ 1,277,941</u>

Depreciation expense for the year ended December 31, 2019 was \$ 41,651.

Paso Robles Youth Arts Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4: PLEDGES RECEIVABLE

The composition of pledges receivable at December 31, 2019 is as follows:

	2019
Total pledges receivable outstanding	\$ 214,500
Less current portion of pledges receivable	(114,500)
Subtotal	100,000
Less allowance for uncollectible pledges	(7,994)
Noncurrent portion of pledges receivable	\$ 92,006

The schedule of pledges receivable payments subsequent to December 31, 2019 are as follows:

	2020	\$ 114,500
	2021	12,500
	2022	12,500
	2023	12,500
	2024	12,500
	Thereafter	50,000
Total		\$ 214,500

NOTE 5: NET ASSETS

As of December 31, 2019, net assets were comprised of the following:

Without donor restrictions:	
Undesignated	\$ 1,594,788
Total net assets without donor restrictions	1,594,788
With donor restrictions:	
Purpose restricted:	
Capital campaign	519,732
Arts education	6,950
Music program	5,028
Other purposes	8,550
Total net assets with donor restrictions	540,260
Total net assets	\$ 2,135,048

Paso Robles Youth Arts Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 6: LIQUIDITY

The Foundation's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 317,272
Accounts receivable	1,425
Grants receivable	<u>7,970</u>
Total	<u>\$ 326,667</u>

The Foundation has donor-restricted funds which are only available for certain program specific expenditures. Therefore, these funds are not available for general expenditure.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments.

NOTE 7: NET ASSETS RELEASED FROM RESTRICTIONS

The Foundation's net assets released from restrictions consisted of the following:

Debt payments – from capital campaign	\$ 268,035
Program specific	<u>135,540</u>
Total	<u>\$ 403,575</u>

NOTE 8: DONATED MATERIALS AND SERVICES

The Foundation receives donations of time and services from members of the community and volunteers. The value of donated professional services, totaling \$ 64,539, is reflected in the accompanying financial statements as in-kind revenue and is offset by a corresponding in-kind expense. In-kind donations of items, totaling \$ 46,859, used directly by the Foundation are valued at their appraised values at the time of the gift and expensed to the appropriate account. A total of \$37,605 of the figures mentioned above has been allocated to fundraising activities.

The value of donated services from 146 volunteers was not recognized in the accompanying financial statements, as they do not meet the criteria for recognition as explained in Note 2. The unrecognized estimated value for 1,411 volunteer hours amounted to \$ 21,165 at December 31, 2019.

Paso Robles Youth Arts Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 9: CONCENTRATION OF BUSINESS RISK

A significant portion of the Foundation's contribution revenue is generated from the surrounding businesses and private communities.

NOTE 10: CONCENTRATION OF CREDIT RISK

The Foundation's bank accounts may from time to time exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 9, 2020, the date which the financial statements were available to be issued. There are no subsequent events to report.