

Paso Robles Youth Arts Center

INDEPENDENT ACCOUNTANTS' REVIEW REPORT
and
FINANCIAL STATEMENTS
December 31, 2020

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Independent Accountants' Review Report

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

We have reviewed the accompanying comparative financial statements of Paso Robles Youth Arts Center (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

BURKART & STEVENS,
an Accountancy Corporation

San Luis Obispo, CA
June 8, 2021

Paso Robles Youth Arts Center
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current Assets

Cash and cash equivalents (Note 2)
Grants receivable
Pledges receivable (Notes 2 and 4)
Prepaid expenses
Due (to)/from (Note 5)

Total Current Assets

Property and Equipment (Notes 2 and 3)

Other non-current assets

Pledges receivable, net of allowance for
doubtful pledges of \$ 7,994 (Note 4)

Total other non-current assets

Total Assets

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
	\$ 383,365	\$ 460,173	\$ 843,538
	1,900	-	1,900
	-	25,000	25,000
	6,946	-	6,946
	(92,548)	92,548	-
	299,663	577,721	877,384
	1,249,813	-	1,249,813
	-	79,506	79,506
	-	79,506	79,506
	\$ 1,549,476	\$ 657,227	\$ 2,206,703

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable
Payroll liabilities

Total Current Liabilities

Net Assets

Without donor restrictions (Notes 2 and 6)
With donor restrictions (Notes 2 and 6)

Total Net Assets

Total Liabilities and Net Assets

	\$ 2,907	\$ -	\$ 2,907
	9,105	-	9,105
	12,012	-	12,012
	1,537,464	-	1,537,464
	-	657,227	657,227
	1,537,464	657,227	2,194,691
	\$ 1,549,476	\$ 657,227	\$ 2,206,703

See accompanying notes and independent accountants' review report.

Paso Robles Youth Arts Center
STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public Support:			
Contributions	\$ 201,658	\$ 87,685	289,343
Grants	108,731	22,145	130,876
Fundraising and special event income, net of \$ 11,020 in direct fundraising expenses	20,934	-	20,934
Donated materials and services (in-kind) (Note 9)	29,409	-	29,409
Total Public Support	360,732	109,830	470,562
Revenue:			
Programs revenue	7,265	-	7,265
Facility rental	3,831	-	3,831
Concessions	1,053	-	1,053
Advertising	50	-	50
Realized gain on investments	100	-	100
Interest	290	4,083	4,373
Other	138	-	138
Total Revenue	12,727	4,083	16,810
Public Support and Revenue	373,459	113,913	487,372
Net assets released from restriction (Note 8)	48,349	(48,349)	-
Total Public Support and Revenue	421,808	65,564	487,372
Expenses			
Program services	193,779	-	193,779
Support services:			
Fundraising	117,264	-	117,264
Management & general	116,686	-	116,686
Total Expenses (Page 5)	427,729	-	427,729
Change in net assets	(5,921)	65,564	59,643
Net assets as of beginning of year	1,594,788	540,260	2,135,048
Prior period adjustment (Note 13)	(51,403)	51,403	-
Net assets as of end of year	\$ 1,537,464	\$ 657,227	2,194,691

See accompanying notes and independent accountants' review report.

Paso Robles Youth Arts Center
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services	Support Services		Total
		Fundraising	Management & General	
Salaries and wages	\$ 97,627	\$ 91,167	\$ 61,010	\$ 249,804
Employee benefits	1,651	3,394	700	5,745
Payroll taxes	9,020	7,291	4,018	20,329
Advertising	2,272	2,170	1,423	5,865
Awards	20	169	-	189
Bank charges	693	1,633	60	2,386
Bad debt	-	475	-	475
Catering	-	1,000	-	1,000
Depreciation (Notes 2 and 3)	37,740	1,659	2,328	41,727
Dues and subscriptions	146	139	1,791	2,076
Education	-	190	328	518
Equipment rent	-	-	630	630
Equipment stipend	1,530	495	855	2,880
Fingerprinting	-	-	163	163
Gardening	-	-	3,944	3,944
Gifts	-	-	219	219
Insurance	7,000	3,054	4,478	14,532
Janitorial	16,471	1,238	391	18,100
Legal & accounting	-	-	4,375	4,375
Licenses & fees	711	4,221	2,385	7,317
Maintenance	3,067	135	169	3,371
Miscellaneous	-	1,080	-	1,080
Minor purchases	3,819	-	1,047	4,866
Outside services	508	3,549	15,778	19,835
Payroll processing	-	-	4,609	4,609
Postage	247	1,363	317	1,927
Printing	988	2,444	2,073	5,505
Royalties	716	173	-	889
Security	1,178	52	63	1,293
Supplies	2,415	830	2,772	6,017
Taxes	-	-	35	35
Telephone	3,367	135	(94)	3,408
Travel & meetings	609	149	809	1,567
Utilities	1,984	79	10	2,073
Less: Amount allocated to direct fundraising expenses	-	(11,020)	-	(11,020)
Totals	\$ 193,779	\$ 117,264	\$ 116,686	\$ 427,729

See accompanying notes and independent accountants' review report.

Paso Robles Youth Arts Center
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 59,643
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	41,727
(Increase) decrease in accounts receivable	1,425
(Increase) decrease in grants receivable	6,070
(Increase) decrease in pledges receivable	102,000
(Increase) decrease in prepaid expenses	(629)
(Increase) decrease in deposits	400
Increase (decrease) in accounts payable	(810)
Increase (decrease) in payroll liabilities	344
Increase (decrease) in security deposits	(1,132)
Increase (decrease) in other payables	(2,927)
Net cash provided by operating activities	206,111
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of fixed assets	(13,599)
Net cash flows provided (used) by investing activities	(13,599)
NET INCREASE (DECREASE) IN CASH	192,512
CASH AS OF BEGINNING OF YEAR	651,026
CASH AS OF END OF YEAR	\$ 843,538

Income tax paid in 2020: \$ 0

Interest paid in 2020: \$ 0

See accompanying notes and independent accountants' review report.

Paso Robles Youth Arts Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: ORGANIZATION

Paso Robles Youth Arts Center (the Center) is a non-profit, non-stock corporation 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 Center 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 Center has none of this nature at this time.

Revenue Recognition

The Center 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 Center 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 Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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, 2020.

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, 2020.

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 Center 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).

Paso Robles Youth Arts Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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

Fair Value Measurements

The Center follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies wherever fair value is the applicable measurement. This guidance establishes fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2 and 3.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical instruments and have the highest priority. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable. Level 3 inputs are unobservable and are given the lowest priority.

For purposes of financial reporting, the Center has determined that that fair values of its financial instruments, which include cash equivalents, accounts receivable and accounts payable, approximate the carrying values at December 31, 2020, based on their short maturities and/or the terms available to the Center in financial markets.

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.

Paso Robles Youth Arts Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 3: FIXED ASSETS

Summaries of fixed assets by major classifications at December 31, 2020 are as follows:

	2020
Building	\$ 790,251
Improvements	575,922
Furniture and equipment	66,832
Construction in progress	3,900
Total fixed assets	1,423,307
Less accumulated depreciation	(632,567)
Net property and equipment	804,338
Land	445,475
Total property and equipment	\$ 1,249,813

Depreciation expense for the year ended December 31, 2020 was \$ 41,727.

NOTE 4: PLEDGES RECEIVABLE

The composition of pledges receivable at December 31, 2020 is as follows:

	2020
Total pledges receivable outstanding	\$ 112,500
Less current portion of pledges receivable	(25,000)
Subtotal	87,500
Less allowance for uncollectible pledges	(7,994)
Noncurrent portion of pledges receivable	\$ 79,506

Paso Robles Youth Arts Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4: PLEDGES RECEIVABLE (CONT.)

The schedule of pledges receivable payments subsequent to December 31, 2020 are as follows:

	2021	\$	25,000
	2022		12,500
	2023		12,500
	2024		12,500
	2025		12,500
	Thereafter		37,500
Total		\$	112,500

NOTE 5: DUE TO/FROM

The due to/from represents donor restricted funds that are currently deposited in bank accounts that are considered to be without any donor restrictions. The total amount is \$ 92,548 at December 31, 2020.

NOTE 6: NET ASSETS

As of December 31, 2020, net assets were comprised of the following:

Without donor restrictions:		
Undesignated	\$	1,537,464
Total net assets without donor restrictions		1,537,464
With donor restrictions:		
Purpose restricted:		
Capital campaign	616,082	
Arts education	3,424	
Music program	12,100	
Other purposes	25,621	
Total net assets with donor restrictions		657,227
Total net assets	\$	2,194,691

Paso Robles Youth Arts Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 7: LIQUIDITY

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

Cash and cash equivalents	\$ 383,365
Grants receivable	<u>1,900</u>
Total	<u>\$ 385,265</u>

The Center 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 Center'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 Center invests cash in excess of daily requirements in short-term investments.

NOTE 8: NET ASSETS RELEASED FROM RESTRICTIONS

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

Program specific	<u>\$ 48,349</u>
Total	<u>\$ 48,349</u>

NOTE 9: DONATED MATERIALS AND SERVICES

The Center receives donations of time and services from members of the community and volunteers. The value of donated professional services, totaling \$ 18,645, 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 \$ 19,421, used directly by the Center are valued at their appraised values at the time of the gift and expensed to the appropriate account. A total of \$8,657 of the figures mentioned above has been allocated to fundraising activities.

The value of donated services from 36 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 396 volunteer hours amounted to \$ 5,940 at December 31, 2020.

Paso Robles Youth Arts Center
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 10: CONCENTRATION OF BUSINESS RISK

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

NOTE 11: CONCENTRATION OF CREDIT RISK

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

NOTE 12: NAME CHANGE

In August 2020, Paso Robles Youth Arts Foundation applied and was approved for a name change to the Paso Robles Youth Arts Center.

NOTE 13: PRIOR PERIOD ADJUSTMENT

A prior period adjustment in the amount of \$ 51,403 has been made to reflect donor restricted capital campaign contributions that were reflected as being without donor restrictions in the prior year. The funds are currently held in a general bank account. The amount due from the without donor restricted funds are reflected as a due from without donor restrictions asset on the statement of financial position.

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 8, 2021, the date which the financial statements were available to be issued. There are no subsequent events to report.