

**PASO ROBLES
YOUTH ARTS CENTER**

REVIEWED
FINANCIAL STATEMENTS

For the Year Ended
December 31, 2021

PASO ROBLES YOUTH ARTS CENTER
Independent Accountant's Review Report and Financial Statements
For the Year Ended December 31, 2021

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CROSBY COMPANY, CERTIFIED PUBLIC ACCOUNTANT

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Independent Accountant's Review Report

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

I have reviewed the accompanying financial statements of Paso Robles Youth Arts Center (a non-profit organization), which compromise the statement of financial position as of December 31, 2021, and the related statement of activities, 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 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 as a whole. Accordingly, I do not express such an opinion.

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.

Accountant's Responsibility

My 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my report.

Accountant's Conclusion

Based on my review, I am 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.



CROSBY COMPANY
Certified Public Accountant
San Luis Obispo, California

July 5, 2022

PASO ROBLES YOUTH ARTS CENTER

Statement of Financial Position

December 31, 2021

ASSETS

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 276,697	\$ 709,736	\$ 986,433
Accounts receivable	4,169		4,169
Pledges receivable		22,500	22,500
Prepaid expenses	5,489		5,489
Total current assets	286,355	732,236	1,018,591
Property and equipment:			
Property and equipment, net of accumulated depreciation of \$675,336	1,220,730		1,220,730
Other non-current assets:			
Pledges receivable, net of allowance for uncollectible accounts of \$7,994	-	72,006	72,006
Total other non-current assets	-	72,006	72,006
Total assets	\$ 1,507,085	\$ 804,242	\$ 2,311,327
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 2,819	\$ -	\$ 2,819
Accrued expenses	10,200		10,200
Deposit	119		119
Total current liabilities	13,138	-	13,138
Net assets:			
Unrestricted			
Undesignated	1,493,947		1,493,947
Restricted			
Temporarily		746,742	746,742
Permanently		57,500	57,500
Total net assets	1,493,947	804,242	2,298,189
Total liabilities and net assets	\$ 1,507,085	\$ 804,242	\$ 2,311,327

The accompanying notes are an integral part of the financial statements

PASO ROBLES YOUTH ARTS CENTER

Statement of Activities For the Year Ended December 31, 2021

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<i>Public support and revenue</i>			
Program services	\$ 17,316	\$ -	\$ 17,316
Grants	1,944	126,432	128,376
Contributions	279,704	76,175	355,879
Facility rent	37,277		37,277
Investment income	2,290		2,290
Miscellaneous	2,246		2,246
Total public support and revenue	340,777	202,607	543,384
Net assets released from restriction	55,592	(55,592)	
Net public support and revenue	396,369	147,015	543,384
<i>Functional expenses:</i>			
Program services	164,439		164,439
Management and general	137,872		137,872
Fund-raising	137,575		137,575
Total expenses	439,886	-	439,886
<i>Change in net assets:</i>	\$ (43,517)	\$ 147,015	\$ 103,498

PASO ROBLES YOUTH ARTS CENTER

Statement of Changes in Net Assets For the Year Ended December 31, 2021

	<u>Unrestricted</u>	<u>Donor Restricted</u>	<u>Totals</u>
<i>Net assets - December 31, 2020:</i>	\$ 1,537,464	\$ 657,227	\$ 2,194,691
Change in net assets	(43,517)	147,015	103,498
<i>Net assets - December 31, 2021:</i>	<u>\$ 1,493,947</u>	<u>\$ 804,242</u>	<u>\$ 2,298,189</u>

PASO ROBLES YOUTH ARTS CENTER

Statement of Functional Expenses For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits:				
Salaries	\$ 46,169	\$ 64,243	\$ 78,912	\$ 189,324
Payroll tax	5,703	5,077	4,576	15,356
Employee benefits	1,078	(1,307)	7,146	6,917
Total salaries and benefits	52,950	68,013	90,634	211,597
Services and supplies:				
Accounting and professional	-	4,426	-	4,426
Advertising and promotion	166	186	1,078	1,430
Awards	-	225	6,171	6,396
Bank charges	443	14	1,783	2,240
Dues and subscriptions	131	725	15	871
Insurance	5,210	4,376	1,427	11,013
Legal and professional	185	6,707	-	6,892
Licenses and fees	724	1,884	3,819	6,427
Occupancy	-	1,151	4,375	5,526
Outside services	12,667	29,993	18,560	61,220
Postage and printing	571	1,311	3,411	5,293
Repairs and maintenance	29,535	7,611	1,289	38,435
Security	1,133	62	50	1,245
Supplies	8,024	8,202	2,257	18,483
Telephone	2,547	150	102	2,799
Travel and meeting expense	212	154	514	880
Utilities	9,497	460	312	10,269
Total services and supplies	71,045	67,637	45,163	183,845
Total expenses before depreciation	123,995	135,650	135,797	395,442
Depreciation	40,444	2,222	1,778	44,444
Total functional expenses	\$ 164,439	\$ 137,872	\$ 137,575	\$ 439,886

PASO ROBLES YOUTH ARTS CENTER

Statement of Cash Flows For the Year Ended December 31, 2021

<i>Cash flows from operating activities:</i>	
Change in net assets	\$ 103,498
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	44,444
Change in certain operating assets and liabilities:	
Increase in accounts receivable	(2,269)
Decrease in pledges receivable	10,000
Decrease in prepaid expenses	1,457
Decrease in accounts payable	(88)
Decrease in accrued expenses	1,095
Increase in deposit	119
Net cash flows provided by operating activities	158,256
<i>Cash flows from investing activities:</i>	
Purchase of equipment	(15,361)
Net cash flows used by investing activities	(15,361)
<i>Net change in cash and cash equivalents:</i>	142,895
<i>Cash and cash equivalents at beginning of period:</i>	843,538
<i>Cash and cash equivalents at end of period:</i>	\$ 986,433

PASO ROBLES YOUTH ARTS CENTER

Notes to the Financial Statements
December 31, 2021

NOTE 1: ORGANIZATION

Paso Robles Youth Arts Center (the Arts Center), is a non-profit, non-stock corporation, organized July 1, 1998, to provide and serve children aged 5-18 each year by offering free classes in dance, theater, music, art and digital media on the Central Coast of California. The Center's support and revenues come primarily from contributions and other fundraising efforts including special events.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Arts Center have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. Under ASC 958, the chapter is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* are net assets not subject to donor-imposed restrictions or law.
- *Temporarily restricted net assets* are net assets subject to donor-imposed restrictions that can be fulfilled by actions of the chapter pursuant to those restrictions or that expire by the passage of time. Temporarily restricted resources whose restrictions are met in the same reporting periods are recorded as unrestricted.
- *Permanently restricted net assets* are net assets subject to donor-imposed restrictions that the gift cannot be wholly expended on a current basis. Investment returns generated from these funds are available for general support of the chapter's programs and operations unless otherwise stipulated by the donor.

PASO ROBLES YOUTH ARTS CENTER

Notes to the Financial Statements

December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Use of Estimates

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

Fair Value Measurements

The Arts 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 whenever fair value is the applicable measurement. This guidance establishes a 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 Arts Center has determined that the fair values of its financial instruments, which include cash equivalents, accounts receivable and accounts payable, approximate the carrying values at December 31, 2021, based on their short maturities and/or the terms available to the chapter in financial markets.

PASO ROBLES YOUTH ARTS CENTER

Notes to the Financial Statements

December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash held in checking and money market accounts, time deposits, certificates of deposit and all highly liquid investments with original maturities of three months or less.

Accounts Receivable

Management has determined that an allowance for doubtful accounts for pledges receivable would remain the same as the prior year based on the Arts Center's credit policies, prior collection experience, and the type of customers associated with the Paso Robles Youth Arts Center.

Property and Equipment

Property and equipment are recorded at cost or at fair value at the date of donation in the case of donated assets. The Arts Center provides for depreciation of property and equipment by use of the straight-line method over the estimated useful lives as follows:

Buildings and improvements	15 to 40 years
Furniture, fixtures and equipment	5 to 10 years

Contributions of long-lived assets, or of cash or other assets that must be used to acquire long-lived assets, are reported as increases in temporarily restricted net assets. Restrictions are considered met, and an appropriate amount reclassified to unrestricted net assets, over the useful life of the long-lived assets as determined by the Art Center's depreciation policy.

Deferred Revenue

Program service fees collected prior to the calendar year end to which they apply are deferred and recognized over the periods to which the fees relate.

PASO ROBLES YOUTH ARTS CENTER

Notes to the Financial Statements

December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Status

The Arts Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Arts 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). The Center is also exempt from state income taxes under Section 23701d of the Revenue and Taxation Code of the State of California.

The Center has applied the provisions of the FASB's ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Under ASC 740-10, nonpublic enterprises, including nonprofit organizations, are required to record a tax liability when substantial uncertainties exist as to whether certain income is exempt from federal, state and local income tax. As of December 31, 2021, the Arts Center had no substantial uncertain income tax positions.

Advertising

Advertising costs are expensed as incurred and totaled \$1,430 for December 31, 2021.

Expense Allocation

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

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Center to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at high-quality financial institutions and accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021, the Center had \$381,947 in uninsured balances in these institutions. The council has not experienced any losses on its cash or cash equivalents.

PASO ROBLES YOUTH ARTS CENTER

Notes to the Financial Statements

December 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time periods in which the contribution is received, the Center reports the support as unrestricted.

NOTE 3: PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>Additions</u>	<u>Deletions/ Reclassify</u>	<u>2021</u>
Buildings	\$ 790,251	\$ -	\$ -	\$ 790,251
Land	445,475			445,475
Improvements	575,922			575,922
Furniture and equipment	66,832	15,361	(1,675)	80,518
Construction in progress	3,900			3,900
Totals	<u>1,882,380</u>	<u>\$ 15,361</u>	<u>\$ (1,675)</u>	<u>1,896,066</u>
Less:				
Accumulated depreciation	<u>(632,567)</u>	<u>\$ (44,444)</u>	<u>\$ 1,675</u>	<u>(675,336)</u>
Total property and equipment	\$ <u>1,249,813</u>			\$ <u>1,220,730</u>

Depreciation expense for the year ended December 31, 2021 was \$44,444.

PASO ROBLES YOUTH ARTS CENTER

Notes to the Financial Statements

December 31, 2021

NOTE 4: VACATION PAYABLE

The Arts Center has included in accrued expenses a liability for vacation leave earned but not taken by staff employees, at December 31, 2021, in the amount of \$3,175. This accrual was calculated based on actual vacation days earned and applied to the employee's hourly rate.

NOTE 5: DONATED MATERIALS AND SERVICES

The Arts Center receives donations of time and services from members of the community and volunteers. The value of donated professional services, totaling \$61,221, is reflected in the accompanying financial statements as in-kind revenue and is offset by a corresponding in-kind expense. In-kind donations of equipment and supplies used directly by the Center are valued at their appraised values at the time of the gift.

The value of donated services from 34 volunteers was not recognized in the accompanying financial statements, as they do not meet the criteria for recognition. The unrecognized estimated value for 406 volunteer hours amounted to \$6,090 at December 31, 2021.

NOTE 6: SUBSEQUENT EVENTS

Paso Robles Youth Arts Center has evaluated events subsequent to December 31, 2021, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through July 5, 2022, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that the Center had subsequently made adjustments to their cash accounts so that all of the Center's cash would be Federal Deposit Insurance Corporation insured.

No other subsequent events occurred that require recognition or additional disclosure in the financial statements.

Also subsequent to fiscal year-end, the Arts Center may be negatively impacted by the effects of the worldwide COVID-19 pandemic. The Arts Center is closely monitoring its operations, liquidity, and reserves and is actively working to minimize the current and future impact of this situation. As of the date of the issuance of these financial statements, the full impact to the Art Center's financial position is not known.