Paso Robles Youth Arts Center

Financial Statements

December 31, 2023

Caliber Audit & Attest, LLP

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CALIBER
AUDIT & ATTEST, LLP

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

Management is responsible for the accompanying financial statements of Paso Robles Youth Arts Center, "the Organization", a non-profit organization, which comprise the statement of financial position as of December 31, 2023, 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 in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Caliber Audit + Attest, LLP

San Luis Obispo, California
September 18, 2024

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Paso Robles Youth Arts Center

Statement of Financial Position
December 31, 2023
See Independent Accountants' Compilation Report

ASSETS	
Current Assets	
Cash and cash equivalents	$ 430,522
Accounts receivable	2,300
Investments	440,499
Contributions receivable, current	25,247
Prepaid expenses	5,014
Deposits	150
Total current assets	903,732
Non-current Assets	
Contributions receivable, net of discounts	66,184
Property and equipment, net of accumulated depreciation	1,182,691
Operating lease right-of-use asset	5,522
Total non-current assets	1,254,397
Total assets	$ 2,158,129

See Notes to Financial Statements.

Paso Robles Youth Arts Center

Statement of Financial Position - Continued
December 31, 2023
See Independent Accountants' Compilation Report

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 24,791
Operating lease right-of-use liability, current portion	1,669
Accrued expenses	7,321
Accrued payroll and related taxes	3,973
Total current liabilities	37,754
Non-current Liabilities	
Operating lease right-of-use liability, less current portion	3,853
Total liabilities	41,607
Commitments and Contingencies	
Net Assets	
Without donor restrictions	
Undesignated	1,281,203
Board designated - quasi-endowment	1,529
Board designated - operating reserve	50,000
Total without donor restrictions	1,332,732
With donor restrictions	
Restricted for capital expenditures	639,757
Program related	86,533
Permanantly restricted - endowment	57,500
Total with donor restrictions	783,790
Total net assets	2,116,522
Total liabilities and net assets	$ 2,158,129

See Notes to Financial Statements.

Paso Robles Youth Arts Center

Statement of Activities
Year Ended December 31, 2023
See Independent Accountants' Compilation Report

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support:			
Contributions	$ 197,911	$ 60,456	$ 258,367
In-kind donations - materials and services	67,672	-	67,672
Grant revenue	48,577	-	48,577
Total support	314,160	60,456	374,616
Revenue:			
Program revenue	51,412	-	51,412
Interest income	40,110	-	40,110
Other income	19,672	-	19,672
Total revenue	111,194	-	111,194
Net assets released from restrictions	34,518	(34,518)	-
Total public support and revenues	459,872	25,938	485,810
Functional Expenses:			
Program services	311,935	-	311,935
Management and general	162,163	-	162,163
Fundraising	183,349	-	183,349
Total functional expenses	657,447	-	657,447
Change in net assets	$ (197,575)	$ 25,938	$ (171,637)

See Notes to Financial Statements.

Paso Robles Youth Arts Center

Statement of Changes in Net Assets
Year Ended December 31, 2023
See Independent Accountants' Compilation Report

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, December 31, 2022	$ 1,530,307	$ 757,852	$ 2,288,159
Change in net assets	(197,575)	25,938	(171,637)
Net Assets, December 31, 2023	$ 1,332,732	$ 783,790	$ 2,116,522

See Notes to Financial Statements.

Paso Robles Youth Arts Center

Statement of Functional Expenses
Year Ended December 31, 2023
See Independent Accountants' Compilation Report

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Advertising	$ 2,686	$ 1,166	$ 19,793	$ 23,645
Depreciation	40,310	2,642	291	43,243
Dues and subscriptions	460	771	333	1,564
Employee benefits	5,046	5,069	3,918	14,033
Event support & materials	301	-	13,483	13,784
Information technology	1,604	5,670	501	7,775
Insurance	6,865	4,307	706	11,878
Licenses and fees	5,197	2,300	2,344	9,841
Materials and supplies	12,649	5,271	5,417	23,337
Miscellaneous expenses	205	386	-	591
Occupancy - facility	599	552	3,737	4,888
Office expenses	20,218	38,651	17,941	76,810
Payroll taxes	14,776	6,371	8,997	30,144
Professional fees	-	6,650	2,925	9,575
Repairs and maintenance	23,536	8,258	965	32,759
Royalties	1,235	-	59	1,294
Salaries and wages	164,555	70,954	100,200	335,709
Travel	1,585	1,735	1,638	4,958
Utilities	10,108	1,410	101	11,619
Total functional expenses	$ 311,935	$ 162,163	$ 183,349	$ 657,447

See Notes to Financial Statements.

Paso Robles Youth Arts Center

Statements of Cash Flows
Year Ended December 31, 2023
See Independent Accountants' Compilation Report

Cash flows from operating activities:	
Change in net assets	$ (171,637)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation	43,243
Changes in operating assets and liabilities:	
Accounts receivable	1,406
Contributions receivable	41,074
Prepaid expenses	771
Deposits	500
Accounts payable	18,908
Accrued expenses	2,550
Accrued payroll and related taxes	(4,258)
Net cash used in operating activities	(67,443)
Cash flows from investing activities:	
Purchases of U.S. treasury securities	(2,160,774)
Maturities of U.S. treasury securities	2,384,926
Purchase of property and equipment	(40,405)
Net cash provided by investing activities	183,747
Net increase in cash and cash equivalents	116,304
Cash and cash equivalents, beginning of year	314,218
Cash and cash equivalents, end of year	$ 430,522
Noncash financing activities:	
In-kind donations of services and use of facilities	$ 67,672

See Notes to Financial Statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business:

Paso Robles Youth Arts Center (the Organization) was established with the mission to give children of the Paso Robles area the opportunity to participate in a variety of art programs at no cost to the children. The Organization offers these students 8-10 week course sessions in voice, dance, theatre, music, art, and digital media.

Significant Accounting Policies:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. They may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net Assets With Donor Restrictions: Net assets subject to donor or grantor imposed restrictions. Some donor restrictions are temporary in nature; as such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported on the statement of activities as net assets released from 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 donor restricted support that increases that net asset class. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support in the net assets without donor restrictions class. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. All estimates and assumptions are based on management's best judgment. Management evaluates its estimates and assumptions using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Contribution and support revenue:

All public support and revenue are considered to be available for use without donor restriction unless specifically restricted by the donor or the terms of a grant. Revenue from public support is recognized at the time an unconditional promise to give or transfer of assets is made.

Contributions receivables are recognized at fair market value as revenues in the period in which there is sufficient evidence in the form of verifiable documentation that an unconditional gift was received. Conditional gifts are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value, if any.

Revenues from grant agreements that do not represent exchange transactions are accounted for as contributions as part of support on the statement of activities. Revenues from grant agreements that represent exchange transactions are recognized as the revenue is earned and performance obligations are met, over the grant term, and are considered program revenue on the statement of activities.

Program revenue:

The Organization follows the five step, principles-based model to recognize revenue upon the transfer of promised goods or services to customers and in an amount that reflects the consideration for which the Organization expects to be entitled in exchange for those goods or services, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. The five steps are as follows: 1) Identification of the contract with a customer, 2) identification of the performance obligation(s), 3) determination of the transaction price, 4) allocation of the transaction price to performance obligations in the contract, and 5) recognition of revenue as performance obligations are satisfied.

The primary sources of program revenue are generated through program fees including enrollment fees, participation fees, ticket sales, tuition fees, and teaching services. The Organization records program revenue on a net basis, based on the established rates expected to be collected at the time service is provided.

Donations of services and materials:

The Organization records the donation of services and materials when an objective basis is available to measure the value of those donations, and when the goods or services would be purchased if they were not donated.

The Organization receives significant donations of services and materials from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed. Such amounts were estimated by management at the fair value of the services received and totaled $40,498 for the year ended December 31, 2023, mainly related volunteer time from accounting professionals and construction and design professionals.

In kind donations of supplies, instruments, auction items and other materials used directly by the Organization are valued at their estimated fair values at the time of the donation, if any. The amount of materials donated for the year ended December 31, 2023 was $27,175.

Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated between program services and supporting services benefited. Expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management.

Cash and cash equivalents:

The Organization considers cash equivalents to be highly liquid debt instruments purchased with an original maturity of three months or less.

The Organization maintains its cash balance in financial institutions in the United States and abroad. The balances at the institutions in the United States are generally insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of December 31, 2023, the Organization held cash in financial institutions in excess of federally insured limits.

Accounts receivable and allowance for credit loss:

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end.

At each balance sheet date, the Organization recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. Management believes that the composition of trade receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly and has not identified any current conditions or supportable forecasts that would have a material impact on the expected credit losses. Based on these considerations, management believes that all the accounts receivable as of December 31, 2023 are fully collectible. Accordingly, no allowance for credit loss exists at December 31, 2023. If amounts become uncollectible, they are charged to bad debt expense in the statement of income.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. During the year, the Organization recognized no credit loss on customer's accounts (bad debt expenses) on customer accounts.

Contributions receivable:

The Organization has two 10-year contribution receivables. They have been recorded at the present value of future cash flow at a discount rate of 3%.

Investments:

Investments, which consist of U.S. Treasury Bills, are reported at fair value and are based primarily on quoted market prices or estimated fair value. Investments represent assets that have original maturities over 3 months and thus are not cash equivalents. Unrealized gains and losses are included in the change in net assets.

Property and equipment:

Property and equipment are recorded at cost. Repair and maintenance and small equipment purchases are charged to expense when incurred. Expenditures that significantly increase assets' values or extend useful lives are capitalized. Depreciation expense is calculated using the straight-line or double declining method over the useful lives as follows:

	Years
Buildings and improvements	10 - 39
Machinery and equipment	5 - 20

Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the statement of activities.

Leases:

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statements of financial position.

The operating right-of-use asset and liability are recognized at the commencement date of the lease based on the present value of fixed lease payments over the lease term. The Organization has elected to use the risk-free interest rate at lease commencement as a practical expedient for the discount rate used to calculate the present value of the operating lease liabilities. The Organization includes any options to extend the lease as part of the right-of-use asset and liability calculation if it is reasonably certain that the Organization will exercise the option. Lease expense is recognized for all leases on a straight-line basis over the lease term.

Income tax status:

The Organization's non-profit activities are generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Franchise Tax Code. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income tax expense for the non-profit entities. The Organization is not a private foundation. Management is not aware of any transaction that would impact the Organizations tax exempt status.

For the year ended December 31, 2023 management of the Organization is not aware of any material uncertain tax positions to be accounted for in the financial statements under the principles of the *Income Taxes* topic of the FASB *(ASC)*. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense.

The Organization is subject to review and audit by federal, state and other applicable agencies. Such agencies may review the activity of the taxable entities, the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

Advertising:

Advertising and sales promotion costs are expensed when incurred. Advertising for the year ended December 31, 2023 was $23,645.

Recent accounting pronouncements:

On January 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in ASC 326 include trade accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new or enhanced disclosures only.

Note 2. Liquidity

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Cash and cash equivalents	$ 430,522
Accounts receivable	2,300
Investments	440,499
Contributions receivable, current	25,247
	$ 898,568

Note 3. Investments and Fair Value Measurements

At December 31, 2023, investments comprised of US treasury securities in the amount of $440,499.

The Fair Value Measurements topic of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC)*, establishes a framework for measuring fair value. That framework 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). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 by other means.

  If the asset or liability has a specified (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.

The asset 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value, on a recurring basis. There have been no changes to the methodologies used at December 31, 2023.

Treasury securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2023:

	Level 1
U.S. Treasury Securities	440,499

Note 4. Property and Equipment

Major classes of property and equipment and accumulated depreciation at December 31, 2023 are as follows:

Land	$	445,476
Buildings and improvements		1,383,870
Machinery and equipment		102,684
Construction in progress		14,364
		1,946,394
Less accumulated depreciation		(763,703)
Total property and equipment	$	1,182,691

Depreciation expense for the year ended December 31, 2023 was $43,243.

Note 5. Leases

The Organization leases a copier under an operating lease agreement expiring February 2027. The lease includes an option to extend, which management does not intend to exercise. Non-variable rent payments have been included in calculating the right-of-use asset and lease liability.

As discussed in Note 1, the operating right-of-use assets and lease liabilities were calculated utilizing the risk-free discount rate according to the Organization's elected policy, which was determined to be 4.00% upon adoption of the lease accounting standard during the year ended December 31, 2023.

The following summarizes the line items in the statement of financial position which include amounts for operating and finance leases as of December 31, 2023:

Operating lease:		
Operating lease right-of-use assets	$	5,522
Operating lease liabilities, current portion		1,669
Operating lease liabilities, less current portion		3,853
Total operating lease liabilities	$	5,522

The following summarizes the weighted average remaining lease term and discount rate at December 31, 2023:

Weighted average remaining lease term (years):	
Operating lease	3.17
Weighted average discount rate:	
Operating lease (using risk-free interest rate)	4.00%

The future maturities of lease liabilities as of December 31, 2023 were as follows:

Years ending, December 31,	***Operating Lease***
2024	$ 1,853
2025	1,853
2026	1,853
2027	309
Total future lease payments	5,868
Less amounts representing interest	(346)
Present value of lease liabilities	$ 5,522

The following summarizes amounts included in the line items in the statement of activities which include components of lease expense for the year ended December 31, 2023:

Fixed rent in operating expenses	
Total operating lease costs	$ 1,853

The following summarizes cash flow information related to leases for the year ended December 31, 2023:

Operating cash flows from operating leases	$ 1,853

Note 6. Endowments and Quasi-Endowments

The donor restricted endowments and the Organization's board designated quasi-endowments (quasi-endowment) consists of funds to be held in perpetuity established by the donor or board, respectively, in order for the earnings to fund general operations.

All board designated quasi-endowment funds are invested with the intent to reinvest the proceeds until such time as the fund is sufficient in size to make a distribution of the investment earnings from the fund to support the operations of the Organization. No annual distribution is required.

Note 7. Net Assets with Donor Restrictions

As of December 31, 2023, net assets were comprised of the following:

Without donor restrictions	
Undesignated	$ 1,281,203
Board designated - quasi-endowment	1,529
Board designated reserve	50,000
Total net assets without donor restrictions	1,332,732
With donor restrictions	
Purpose restricted:	
Program related	86,533
Capital campaign	639,757
Total net assets with donor restrictions	726,290
Permanently restricted	
Endowments	57,500
	783,790
Total net assets	$ 2,116,522

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2023:

SLO County ARPA Grant	$ 12,500
California Arts Council: Creative Youth Development	19,018
Central Coast Funds for Children	3,000
Total net assets released	$ 34,518

Note 8. Subsequent Events

The date to which events occurring after December 31, 2023 have been evaluated for possible adjustment to the financial statements or disclosure is September 18, 2024, which is the date on which the financial statements were available to be issued.