

CARPINTERIA ARTS CENTER
dba The Lynda Fairly Carpinteria Arts Center
Financial Statements
June 30, 2021

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Carpinteria Arts Center
dba, The Lynda Fairly Carpinteria Arts Center
Carpinteria, California

Management is responsible for the accompanying financial statements of the Carpinteria Arts Center, dba the Lynda Fairly Carpinteria Arts Center (a non-profit corporation), which comprise the statement of financial position as of June 30, 2021, the related statements of activity, 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.

Lindsay and Company LLP

Lindsay and Company, LLP
Certified Public Accountants
Ventura, California

December 13, 2022

CARPINTERIA ARTS CENTER
Statement of Financial Position
June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash	\$ 103,762	\$ 270,426	\$ 374,188
Pledges receivable (net of present value discount of \$423)	-	242,450	242,450
Prepaid expenses and deposits	216	-	216
Investments	70,538	300,770	371,308
Property and equipment, net	1,661,258	-	1,661,258
Land	<u>1,416,160</u>	<u>-</u>	<u>1,416,160</u>
TOTAL ASSETS	<u>\$ 3,251,934</u>	<u>\$ 813,646</u>	<u>\$ 4,065,580</u>
 LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 330	\$	\$ 330
Accrued payroll liabilities	3,327		3,327
Other liabilities	15,032	-	15,032
Note Payable	<u>52,268</u>	<u>-</u>	<u>52,268</u>
TOTAL LIABILITIES	70,957		70,957
NET ASSETS			
Without donor restrictions	3,128,834	-	3,128,834
Board designated for endowment	52,143	-	52,143
With donor restrictions	<u>-</u>	<u>813,646</u>	<u>813,646</u>
TOTAL NET ASSETS	<u>3,180,977</u>	<u>813,646</u>	<u>3,994,623</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,251,934</u>	<u>\$ 813,646</u>	<u>\$ 4,065,580</u>

See accompanying notes and accountant's report

CARPINTERIA ARTS CENTER
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
SUPPORT			
Contributions	\$ 161,294	\$ 40,485	\$ 201,779
Membership income	17,155	-	17,155
Foundation grants	105,964	-	105,964
Program revenue	41,112	-	41,112
Net assets released from restrictions	<u>44,022</u>	<u>(44,022)</u>	<u>-</u>
TOTAL SUPPORT	<u>369,547</u>	<u>(3,537)</u>	<u>366,010</u>
REVENUE			
Special event income, net of direct costs	7,995	-	7,995
Gallery and jewelry sales, net of cost of goods sold	5,818	-	5,818
Investment income, net	54,189	1,772	55,961
Other income	<u>-</u>	<u>4,969</u>	<u>4,969</u>
TOTAL REVENUE	<u>68,002</u>	<u>6,741</u>	<u>74,743</u>
TOTAL SUPPORT AND REVENUE	<u>437,549</u>	<u>3,204</u>	<u>440,753</u>
EXPENSES			
Program services	375,315	-	375,315
SUPPORTING SERVICES			
General and administrative	133,669	-	133,669
Fundraising	<u>64,302</u>	<u>-</u>	<u>64,302</u>
TOTAL EXPENSES	<u>573,286</u>	<u>-</u>	<u>573,286</u>
CHANGES IN NET ASSETS	(135,737)	3,204	(132,533)
NET ASSETS - BEGINNING	<u>3,316,714</u>	<u>810,442</u>	<u>4,127,156</u>
NET ASSETS - ENDING	<u>\$ 3,180,977</u>	<u>\$ 813,646</u>	<u>\$ 3,994,623</u>

See accompanying notes and accountant's report

CARPINTERIA ARTS CENTER

Statement of Functional Expenses For the year ended June 30, 2021

	<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and payroll taxes	\$ 117,126	\$ 55,117	\$ 57,414	\$ 229,657
Presenters	13,978	-	-	13,978
Professional services	-	9,150	3,510	12,660
Gallery expenses	4,134			4,134
Office expenses		18,206		18,206
Advertising and website	16,979	8,261	1,232	26,472
Occupancy	15,495	1,484	114	17,093
Information technology	-	10,006	-	10,006
Insurance	11,139	1,066	82	12,287
Bellas Artes	1,653	-	-	1,653
Direct program costs	6,390	-	-	6,390
Employee benefits	29,138	2,789	215	32,142
Bank charges	-	3,080	-	3,080
Depreciation	159,283	15,247	1,176	175,706
Other expense	-	9,263	559	9,822
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	\$ 375,315	\$ 133,669	\$ 64,302	\$ 573,286

See accompanying notes and accountant's report

CARPINTERIA ARTS CENTER

Statement of Cash Flows For the year ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$	(132,533)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation		175,706
Net realized and unrealized gains on investments		(55,512)
(Increase)/Decrease in:		
Pledges receivable		50,934
Prepaid expenses and deposits		105
Decrease in current liabilities		(9,318)
Donated securities		<u>(64,189)</u>

NET CASH USED IN OPERATING ACTIVITIES **(34,807)**

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investment		151,889
Purchase of investment		(340,788)
Purchase of property and equipment		<u>(28,337)</u>

NET CASH USED IN INVESTING ACTIVITIES **(217,236)**

CASH FLOWS FROM FINANCING ACTIVITIES **NONE**

NET DECREASE IN CASH AND RESTRICTED CASH **(252,043)**

Cash and Restricted Cash, beginning of year 626,231

Cash and Restricted Cash, end of year \$ 374,188

SUPPLEMENTAL DISCLOSURES

Interest paid	\$	16
In-kind donations	\$	-

See accompanying notes and accountant's report

NOTES TO THE FINANCIAL STATEMENTS

CARPINTERIA ARTS CENTER

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of significant accounting policies

Nature of Organization

The Carpinteria Arts Center, dba Lynda Fairly Carpinteria Arts Center (“the Organization”) is a non-profit organization founded in 2001 and is committed to providing exceptional arts educational opportunities and community events to local youth, senior citizens and the general population of Carpinteria and surrounding communities. The Organization mission is creating a vibrant community through the ARTS: fostering diverse community involvement; nurturing the creative process; providing variety of experiences; serving as the gathering place for the community. The Organization is committed to celebrating all the arts: painting, music, dance, pottery, photography, poetry, storytelling, community reception, and more. The Organization’s activities include art gallery exhibitions, workshops, programs, events, films, tours and more.

Financial Statement Presentation

The accompanying financial statements are prepared using the accrual basis of accounting.

Accounting principles generally accepted in the United States of America (GAAP) require that the Organization report information regarding its financial position and activities according to two classes of net assets based on the existence of donor imposed restrictions as follows:

Net assets without donor restrictions are resources which are not subject to donor-imposed restrictions and may include voluntary reserves or board-designated restrictions.

Net assets with donor restrictions are resources which are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor for an endowment fund. When a restriction expires or is met, restricted net assets are reclassified to unrestricted net assets.

Investments - Investments are carried at fair value. Dividends and interest income are shown net of investment expenses.

Cash and Cash Equivalents – The organization considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment - Property and equipment are carried at cost or, if acquired by donation, at the fair market value at the date of donation. Expenditures for improvements and major renewals that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the useful lives as follows:

	<u>Years</u>
Building and improvements	5-40
Furniture, fixtures, and equipment	5
Computer equipment and software	3

(continued)

See accountant's report

CARPINTERIA ARTS CENTER

Notes to the Financial Statements

June 30, 2021

Note 1: Summary of significant accounting policies (Continued)

Functional Expenses - Direct expenses are charged to the appropriate program or supporting services. Indirect expenses have been allocated to program services and supporting services based on management estimates.

Contributed Services - Numerous individuals volunteer their time and perform a variety of tasks that assist the Organization in various activities, but these services do not meet the criteria for recognition as contributed services under GAAP. The Organization receives services from more than 120 volunteers per year.

In addition, the Organization received in-kind donations from instructors for one of the programs. These donations have been recognized as restricted revenue at their fair value of \$351. The net assets were released from restriction when the program was complete.

Fair Value Measurements - Accounting Standards Codification (ASC) 820, *Fair Value measurement and Disclosures* issued by the Financial Accounting Standards Board (FASB) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Pursuant to ASC 820, assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting rate.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The input into the determination of fair value requires significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

Following is a description of the valuation methodologies used for assets measured at fair value:

Cash and cash equivalents: Valued at face value. (Level 1)

Equity and fixed income mutual funds: Valued utilizing quoted prices available in active markets for identical investments as of the reporting date.

Revenue Recognition: Membership fees and gallery admissions are recorded as revenue when received. Program revenue is recognized during the period in which the program services are provided. Gallery sales of art and fees are recorded during the period in which the exhibition takes place. Unconditional promises to give are recognized as revenue in the period pledged. Conditional promises to give are recognized when the conditions upon which they are dependent are substantially met.

Use of Estimates: Financial statements prepared in accordance with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(continued)

See accountant's report

CARPINTERIA ARTS CENTER
Notes to the Financial Statements
June 30, 2021

Note 1: Summary of significant accounting policies (Continued)

Tax Exempt Status: The Organization is an exempt organization under section 501(c)(3) of the Internal Revenue Code and Section 237014 (d) of the California Revenue and Taxation Code.

Uncertain Tax Positions: The Organization's IRS Form 990 and California Form 199 are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The Organization's tax returns from the years ended June 30, 2018, 2019 and 2020 remain subject to examination by the IRS for federal tax purposes, and the tax years from June 30, 2017, 2018, 2019 and 2020 remain subject to examination by the state of California.

Subsequent Events: Management has evaluated subsequent events through December 13, 2022, the date on which the financial statements were available to be issued.

Note 2: Endowment Investments

Investments are presented in the financial statements at fair market value, which is derived from quoted market prices at year end. All investments are considered Level 1. At June 30, 2021, investments consisted of the following:

Exchange-traded funds	\$ <u>371,308</u>
Total	\$ <u><u>371,308</u></u>

Investment income for the year ended June 30, 2021 consisted of the following:

Interest and dividends, net	\$ 5,325
Net realized and unrealized gains (losses)	50,655
Interest expense	<u>(19)</u>
Total	\$ <u><u>55,961</u></u>

Note 3: Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue in the appropriate net asset category. Management expects no material write-offs for receivables at June 30, 2021. Therefore, no provision for uncollectible pledges has been made.

(continued)

CARPINTERIA ARTS CENTER
Notes to the Financial Statements
June 30, 2021

Note 3: Pledges Receivable (continued)

Pledges receivable as of June 30, 2021 at face value, are estimated to be received as follows:

Year ending	June 30, 2021	\$ 124,097
	June 30, 2022	100,000
	June 30, 2023	<u>18,776</u>
	Gross pledges receivable	242,873
	Less amortized discount	<u>(423)</u>
	Total	<u>\$ 242,450</u>

Pledges receivable due after one year are recorded at the present value of estimated future cash flows using a discount rate equivalent to the US Treasury rate. The present value discount is amortized to contribution revenue over the terms of the pledges receivable.

Note 4: Property and Equipment

Property and equipment are summarized by major classifications as follows at June 30, 2021:

Building and improvements	\$ 2,089,594
Furniture, fixtures and equipment	40,889
Computer equipment and software	<u>19,497</u>
Less accumulated depreciation	<u>(488,722)</u>
Net property and equipment	<u>\$ 1,661,258</u>

Depreciation expense related to property and equipment was \$175,706 for the year ended June 30, 2021.

Note 5: Paycheck Protection Program Loan

On January 22, 2021, the Organization received a loan in the amount of \$52,268 under the Paycheck Protection Program (PPP Loan). The interest rate on the loan is 1%. It has an original maturity date of two years which can be extended to five years by mutual agreement of the Organization and the lender. Payments are deferred during the deferral period. The deferral period is the period beginning on the date of this note, and ending 10 months after the last day of the covered period (deferral expiration date). Any amount not forgiven under the Program will be payable in equal installments of the principal plus any interest owed on the payment date from the deferral expiration date through the maturity date. Additionally, any accrued interest that is not forgiven under the Program will be due on the first payment date, which is the 15th of the month following the month in which the deferral expiration date occurs.

The PPP loan has been classified as non-current and interest on the loan has not been accrued. On October 29, 2021, the lender notified the Organization that the entire PPP loan and accrued interest has been fully forgiven.

CARPINTERIA ARTS CENTER
Notes to the Financial Statements
June 30, 2021

Note 6: Endowment Fund

On June 30, 2017 the Board designated \$48,981 of investments as an endowment fund, along with \$10,000 in donor designated endowment. The Organization's endowment fund was established to generate income to be used to pay the general operating costs necessary for the operation of an arts center for the citizens of the Carpinteria Valley. During the years ended June 30, 2020 and June 30, 2021 the Board determined that the Organization did not have sufficient liquid assets to contribute additional funds to the endowment fund. During these years there were no further donor-designated endowment contributions.

	<u>Board Designated</u>	<u>Donor-Restricted</u>
Beginning Balance, June 30, 2020	\$ 52,143	\$ 10,645
Net investment earnings	<u>8,679</u>	<u>1,772</u>
Ending Balance, June 30, 2021	<u>\$ 60,822</u>	<u>\$ 12,417</u>

Return Objectives and Risk Parameters

The Organization has adopted investments and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by endowments, while seeking to maintain the purchase power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately four percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Interpretation of Relevant Law and Spending Policy

The Board has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Organization has classified those funds for which there is an explicit donor as restricted net assets. The remaining portion of the funds that are not classified as restricted net assets may be appropriated by the Organization in a manner consistent with the standard for prudence prescribed by UPMIFA. The Organization has a policy of appropriating for distribution each year a maximum of four percent of the portfolio value as of the beginning of the fiscal year. In addition, endowment funds may be approved for the expenditure under special circumstances, such as the purchase of property. In the current fiscal year, the Board did not appropriate or expend any endowment funds.

CARPINTERIA ARTS CENTER
Notes to the Financial Statements
June 30, 2021

Note 7: Restricted Funds

As of June 30, 2021, net assets were restricted by donors for the following purposes:

Building Fund	\$ 751,571
Bellas Artes Program	18,739
Writing Program	417
Scholarship Fund	14,442
Endowment Fund	12,417
Amazing Artist Book Fund	13,070
After School Fund	<u>2,990</u>
Total Donor-Restricted Funds	<u>\$ 813,646</u>

Note 8: Functional Expenses

Direct expenses are charged to the appropriate program or supporting function. Indirect expenses are allocated to programs and services, management and general, and development and fundraising based upon estimates of the time spent on each function or occupancy space used by each function, as appropriate.

Note 9: Risks and Concentrations

The Organization maintains several accounts at three separate financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The corporation had uninsured cash balances of approximately \$131,691 at June 30, 2021.

In addition, the Organization's investments are exposed to interest rate, market and credit risks. The level of risk associated with certain investment securities and the level of uncertainty related to changes in risks in the near term could materially affect the Organization's Statement of Financial Position and the Statement of Activities.

Note 10: Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows are attributable to the annual cash receipts of donations, membership income, events and admissions. Monthly cash outflow needs vary each year based on the specific requirements of events and programs planned during the year. As shown on the statement of financial position, much of the Organization's financial assets are subject to donor-imposed restrictions on use.

Because donor restrictions require resources to be used in a particular manner, or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

(Continued)

CARPINTERIA ARTS CENTER
Notes to the Financial Statements
June 30, 2021

Note 10: Liquidity and Availability of Financial Assets (Continued)

Assets available for general expenditure within one year are as follows:

Total cash and equivalents, at year-end	\$	374,188
Investments, at year-end		371,308
Less, those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions		<u>(571,196)</u>
Financial assets available at year-end to meet cash needs for general expenditures within one year.	\$	<u>174,300</u>

Note 11: Related Party Transactions

For the year ended June 30, 2021, board members made cash payments on previous pledges of approximately \$55,903. As of June 30, 2021, pledges receivable from board members were approximately \$242,872.

Note 12: Bellas Artes Program

In January 2018 the Carpinteria Arts Center entered into an agreement with the Peoples' Self-Help Housing Corporation (the "Corporation") to provide art workshops, camps, trips, exhibitions and performances on its premises, free of charge (aka, the Bellas Artes Program). The Corporation is a local non-profit whose mission is to provide permanent, supportive housing with site-based services to low income families, farmworkers, seniors and veterans. In exchange for the program provided by Carpinteria Arts Center, the Corporation will provide outdoor tables, janitorial services, and other use of its facilities free of charge. In order to fund the program, the Carpinteria Arts Center accepts and maintains donations restricted for use in the Bellas Artes Program. During the fiscal year ended June 30, 2021 the Center expended \$1,653 on the program. At June 30, 2021 the Center held \$18,739 for restricted use in the Program (see Note 7: Restricted Funds).