

CARPINTERIA ARTS CENTER
dba The Lynda Fairly Carpinteria Arts Center
Financial Statements
June 30, 2022

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TABLE OF CONTENTS

	Page
Independent Accountants' Report	
Financial Statements	
Statement of Financial Position	1
Statement of Activities and Changes in Net Assets	2
Statement of Functional Expenses	3
Statement of Cash Flows	4
Notes to Financial Statements	6-13

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, 2022, 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

October 18, 2023

CARPINTERIA ARTS CENTER
Statement of Financial Position
June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash	\$ 61,824	\$ 426,805	\$ 488,629
Pledges receivable	-	44,490	44,490
Prepaid expenses and deposits	216	-	216
Investments	308,694	10,811	319,505
Property and equipment, net	1,531,458	-	1,531,458
Land	1,416,160	-	1,416,160
TOTAL ASSETS	\$ 3,318,352	\$ 482,106	\$ 3,800,458
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 6,179	\$ -	\$ 6,179
Other liabilities	8,216	-	8,216
TOTAL LIABILITIES	14,395		14,395
NET ASSETS			
Without donor restrictions	2,995,263	-	2,995,263
Board designated for endowment	308,694	-	308,694
With donor restrictions	-	482,106	482,106
TOTAL NET ASSETS	3,303,957	482,106	3,786,063
TOTAL LIABILITIES AND NET ASSETS	\$ 3,318,352	\$ 482,106	\$ 3,800,458

See accompanying notes and accountant's report

CARPINTERIA ARTS CENTER
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
SUPPORT			
Contributions	\$ 215,968	\$ 10,706	\$ 226,674
In-kind contributions	22,980	-	22,980
Membership income	17,861	-	17,861
Foundation grants	83,072	-	83,072
Government grants	210	-	210
Program revenue	62,134	-	62,134
Net assets released from restrictions	76,431	(76,431)	-
TOTAL SUPPORT	478,656	(65,725)	412,931
REVENUE			
Special event income, net of direct costs	66,921	-	66,921
Gallery and jewelry sales, net of cost of goods sold	5,988	-	5,988
Investment income, net	(49,558)	(1,748)	(51,306)
Loss on sale of equipment	(157)	-	(157)
Gain on debt forgiveness	52,268	-	52,268
TOTAL REVENUE	75,462	(1,748)	73,714
TOTAL SUPPORT AND REVENUE	554,118	(67,473)	486,645
EXPENSES			
Program services	447,655	-	447,655
SUPPORTING SERVICES			
General and administrative	135,380	-	135,380
Fundraising	112,169	-	112,169
TOTAL EXPENSES	695,204	-	695,204
CHANGES IN NET ASSETS	(141,086)	(67,473)	(208,559)
NET ASSETS - BEGINNING			
AS RESTATED - SEE NOTE 13	3,445,044	549,579	3,994,623
NET ASSETS - ENDING	\$ 3,303,958	\$ 482,106	\$ 3,786,064

See accompanying notes and accountant's report

CARPINTERIA ARTS CENTER

Statement of Functional Expenses For the year ended June 30, 2022

	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and payroll taxes	\$ 141,343	\$ 66,516	\$ 69,286	\$ 277,145
Presenters	28,786	-	-	28,786
Professional services	6,225	12,804	11,020	30,049
Gallery expenses	13,868	-	-	13,868
Office expenses	-	25,680	-	25,680
Advertising and website	16,154	1,915	3,727	21,796
Occupancy	30,012	2,873	222	33,107
Small equipment	-	627	-	627
Information technology	7,293	1,215	3,647	12,155
Insurance	12,663	1,112	139	13,914
Bellas Artes	3,705	-	-	3,705
Direct program costs	4,198	-	-	4,198
Employee benefits	15,312	7,204	7,506	30,022
Bank and merchant charges	6,859	-	3,693	10,552
Depreciation	161,237	15,434	1,190	177,861
Other expense	-	-	11,739	11,739
TOTAL EXPENSES	\$ 447,655	\$ 135,380	\$ 112,169	\$ 695,204

See accompanying notes and accountant's report

CARPINTERIA ARTS CENTER

Statement of Cash Flows For the year ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$	(208,559)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation		177,861
Net realized and unrealized (gains)/losses on investments		64,493
Interest, dividends and fees on investments, reinvested		(12,645)
(Increase)/Decrease in:		
Pledges receivable		197,959
Current liabilities		(4,294)
Donated securities		(7,610)
Loan forgiveness		(52,268)
Loss on sale of fixed asset		<u>157</u>

NET CASH USED IN OPERATING ACTIVITIES **155,094**

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investment		84,180
Purchase of investment		(76,615)
Purchase of property and equipment		(48,893)
Proceeds from sale of property and equipment		<u>675</u>

NET CASH USED IN INVESTING ACTIVITIES **(40,653)**

CASH FLOWS FROM FINANCING ACTIVITIES **NONE**

NET INCREASE IN CASH AND RESTRICTED CASH **114,441**

Cash and Restricted Cash, beginning of year 374,188

Cash and Restricted Cash, end of year \$ 488,629

SUPPLEMENTAL DISCLOSURES

In-kind donations \$ 22,980

NOTES TO THE FINANCIAL STATEMENTS

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CARPINTERIA ARTS CENTER

Notes to the Financial Statements

June 30, 2022

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's mission is to provide a vibrant, diverse and welcoming community arts and events center designed to 1) showcase and exhibit local art, 2) offer arts related classes, activities, and other educational outreach, and 3) serve as a prime location for public and private events. 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. Investment income includes realized and unrealized gains and losses, dividends and interest, and is reported net of direct 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, excluding small amounts held within the investment account.

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. Small purchases below the capitalization threshold of \$1,500 are expensed as incurred. 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, 2022

Note 1: Summary of significant accounting policies (Continued)

Revenue Recognition

The Organization recognizes revenue from donated art, jewelry or merchandise at the point when it is sold. These sales predominantly contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and reward transfers.

Functional Expenses - Direct expenses are charged to the appropriate program or supporting services. Indirect expenses are allocated to program services and supporting services based on management estimates of the time spent on each function or occupancy space used by each function, as appropriate.

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 up to 120 volunteers per year.

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.

(continued)

See accountant's report

CARPINTERIA ARTS CENTER
Notes to the Financial Statements
June 30, 2022

Note 1: Summary of significant accounting policies (Continued)

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. *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, 2019, 2020 and 2021 remain subject to examination by the IRS for federal tax purposes, and the tax years from June 30, 2018, 2019, 2020 and 2021 remain subject to examination by the state of California.

Subsequent Events: Management has evaluated subsequent events through October 18, 2023, the date on which the financial statements were available to be issued.

Note 2: 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, 2022, investments consisted of the following:

Mutual Funds of Equity and Fixed Income	\$ 317,433
Money market funds held in investment	<u>2,072</u>
Total	<u>\$ 319,505</u>

Investment income for the year ended June 30, 2022 consisted of the following:

Interest and dividends	\$ 17,052
Net realized and unrealized gains (losses)	(64,493)
Investment fees	<u>(3,865)</u>
Total	<u>\$ (51,306)</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, 2022. Therefore, no provision for uncollectible pledges has been made.

(continued)

CARPINTERIA ARTS CENTER
Notes to the Financial Statements
June 30, 2022

Note 3: Pledges Receivable (continued)

Pledges receivable of \$44,490 as of June 30, 2022 are all expected to be received within the twelve months ending June 30, 2023.

Pledges receivable due after one year, if any, 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, 2022:

Building and improvements	\$ 2,136,436
Furniture, fixtures and equipment	42,172
Computer equipment and software	<u>18,601</u>
	(665,751)
Less accumulated depreciation	<u>(665,751)</u>
Net property and equipment	<u>\$ 1,531,458</u>

Depreciation expense related to property and equipment was \$177,861 for the year ended June 30, 2022.

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). On October 29, 2021, the lender notified the Organization that the entire PPP loan and accrued interest was fully forgiven. The forgiveness is recognized in the current year as gain on forgiveness of debt.

CARPINTERIA ARTS CENTER
Notes to the Financial Statements
June 30, 2022

Note 6: Endowment Fund

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 year ended June 30, 2022, 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.

During the year ended June 30, 2021, donations previously received for the building fund were transferred to the endowment fund, according to the original intent of the capital campaign. The amount and timing of the transfer to the endowment was made at board discretion, not per donor requirement. The earnings on these funds from the prior fiscal year were reclassified to restricted in the current year. See footnote 13 regarding the prior period adjustment.

	<u>Board Designated</u>	<u>Donor-Restricted</u>	<u>Total Endowment</u>
Balance June 30, 2021	\$ 60,822	\$ 12,417	\$ 73,239
Prior Period Adjustment	297,971	142	298,113
Net investment earnings	<u>(50,099)</u>	<u>(1,748)</u>	<u>(51,847)</u>
Balance June 30, 2022	<u>\$ 308,694</u>	<u>\$ 10,811</u>	<u>\$ 319,505</u>

Return Objectives and Risk Parameters

The Organization has adopted investment policies that attempt to preserve and enhance the real (inflation adjusted) value and purchasing power of endowment fund assets, while providing a predictable and increasing stream of funding and a stable source of liquidity to support the overall mission of the Organization. Under these policies, as approved by the Board of Directors, endowment fund assets are invested in a manner consistent with the Dow Jones Moderately Conservative Portfolio Index with a goal of exceeding an absolute return of 5% over a market cycle of 5 to 10 years. 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 strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). While assuming a moderate level of investment risk, the Organization targets a diversified asset allocation that places a slightly greater emphasis on equity-based investments. However, with the exception of mutual funds, no more than 5% of endowment fund assets may be invested in the securities of any one issuer. In addition, no more than 20% of endowment funds assets may be invested in any one industry, using S&P industry classifications.

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 stipulations 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 five percent of the total market value of the investment portfolio (market value to be determined as of the last business day of the preceding year) for the (continued).

See accountant's report

CARPINTERIA ARTS CENTER
Notes to the Financial Statements
June 30, 2022

Note 6: Endowment Fund (continued)

Organization's operating costs, and utilizing a three-year average of the December market value to even out any fluctuations that may have occurred. 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.

Note 7: Restricted Funds

As of June 30, 2022, net assets were restricted by donors for the following purposes:

Building Fund	\$ 444,333
Bellas Artes Program	13,638
Writing Program	417
Scholarship Fund	11,408
Endowment Fund - Donor Restricted	10,810
Special Needs Fund	<u>1,500</u>
Total Donor-Restricted Funds	<u>\$ 482,106</u>

Note 8: 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 Organization had uninsured cash balances of approximately \$244,986 at June 30, 2022.

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 9: 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, 2022

Note 9: 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	\$	488,629
Investments, at year-end		319,505
Less, those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions		(437,616)
Board designated restrictions		<u>(308,694)</u>
Financial assets available at year-end to meet cash needs for general expenditures within one year.	\$	<u>61,824</u>

Note 10: Related Party Transactions

For the year ended June 30, 2022, board members made cash payments on previous pledges of approximately \$118,381. As of June 30, 2022, pledges receivable from board members were \$44,490.

Note 11: In Kind Donations

The Organization regularly receives donations in-kind which are used in operations, including art and office supplies, food and supplies for special events, and services performed. These items are valued at the actual cost, or in the case of services, the amount regularly charged by the individual performing the services. In addition, during the current year, the Organization received donations of works of art for the purpose of selling at a fundraising event. The art is valued at the average sales price received, which is deemed to be a reasonable estimate of fair value. The categories and values of in-kind donation received during the year ended June 30, 2022 are as follows:

Landscape services	\$	4,792
Art for sale		11,290
Office and other supplies		1,973
Fundraising event supplies		<u>4,925</u>
Total in-kind donations	\$	<u>22,980</u>

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, 2022 the Center received restricted donations to be used in the Bellas Artes Program of \$5,000 and expended \$3,912 on the program. At June 30, 2022 the Center held \$13,638 for restricted use in the Program (see Note 7: Restricted Funds).

CARPINTERIA ARTS CENTER
Notes to the Financial Statements
June 30, 2022

Note 13: Prior Period Adjustment

Prior period net assets were restated to properly reflect the allocation of restricted net assets to unrestricted net assets for the original purchase of the building with unrestricted funds, earnings on the board designated endowment, release of restricted asset for Bellas Artes program, and correct classification of present value change. Restricted Building Fund net assets of \$253,009 were reclassified from restricted to unrestricted, \$6,118 of Bellas Artes was released from restrictions, and \$4,969 was reclassified as unrestricted for the change in present value of accounts receivables. Other balance sheet accounts were restated as follows:

	<u>Original Balance</u>	<u>As Restated</u>
Cash, unrestricted	103,762	79,574
Cash, restricted	270,426	294,614
Investments, unrestricted	70,538	358,793
Investments, restricted	300,770	12,516
Net assets, unrestricted	3,180,977	3,445,044
Net assets, restricted	813,646	549,579

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