

Paso Robles Youth Arts Foundation

INDEPENDENT AUDITORS' REPORT
and
FINANCIAL STATEMENTS
December 31, 2017

Paso Robles Youth Arts Foundation
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
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Independent Auditors' Report

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

We have audited the accompanying financial statements of Paso Robles Youth Arts Foundation (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2017, and the related statement of support, revenue and expenses – modified cash basis for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Paso Robles Youth Arts Foundation as of December 31, 2017, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.


BURKART & STEVENS,
an Accountancy Corporation

San Luis Obispo, CA
May 1, 2018

Paso Robles Youth Arts Foundation
STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
December 31, 2017

ASSETS

Current assets

Cash and cash equivalents
Grants receivable
Prepaid expenses

Total current assets

Property and equipment, net (Notes 1 and 2)

Other assets

Deposits

Total assets

2017		
Unrestricted	Temporarily Restricted	Total
\$ 323,176	\$ 98,148	\$ 421,324
6,440	-	6,440
6,682	-	6,682
336,298	98,148	434,446
931,987	-	931,987
400	-	400
\$ 1,268,685	\$ 98,148	\$ 1,366,833

LIABILITIES AND NET ASSETS

Current Liabilities

Payroll liabilities
Insurance proceeds - Note 3
Other

Total current liabilities

Net assets

Temporarily restricted - Note 4
Unrestricted
Unreserved

Total net assets

Total liabilities and net assets

2017		
Unrestricted	Temporarily Restricted	Total
\$ 7,424	\$ -	\$ 7,424
1,926	-	\$ 1,926
1,684	-	1,684
11,034	-	11,034
-	98,148	98,148
1,257,651	-	1,257,651
1,257,651	98,148	1,355,799
\$ 1,268,685	\$ 98,148	\$ 1,366,833

See independent auditors' report.

The accompanying notes are an integral part of these financial statements.

Paso Robles Youth Arts Foundation
STATEMENT OF SUPPORT, REVENUE
AND EXPENSES - MODIFIED CASH BASIS
For the Year Ended December 31, 2017

	2017		
	<u>Unrestricted</u>	<u>Temporarily Resrticted</u>	<u>Total</u>
<i>Contributions and public support</i>			
Donations	\$ 174,136	\$ 93,027	\$ 267,163
Grants	22,475	-	22,475
Donated materials and services (in-kind) - Note 5	48,812	-	48,812
Total contributions	245,423	93,027	338,450
<i>Revenues</i>			
Program revenues	40,606	-	40,606
Facility rental	44,044	-	44,044
Other	9,317	-	9,317
Interest	1,065	-	1,065
Total revenues	95,032	-	95,032
Total contributions and revenues	340,455	93,027	433,482
<i>Expenses</i>			
Accounting	2,500	-	2,500
Advertising	1,396	-	1,396
Employee benefits	6,105	-	6,105
Outside services	14,821	-	14,821
Bank fees	25	-	25
Credit card fees	1,845	-	1,845
Equipment rental	2,827	-	2,827
Payroll processing	3,981	-	3,981
Fingerprinting	147	-	147
Dues and subscriptions	1,122	-	1,122
Postage	2,188	-	2,188
Printing	5,531	-	5,531
Depreciation	35,898	-	35,898
Gardening	3,000	-	3,000
Insurance	15,078	-	15,078
Janitorial	27,535	-	27,535
Licenses and permits	5,210	-	5,210

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Paso Robles Youth Arts Foundation
STATEMENT OF SUPPORT, REVENUE
AND EXPENSES - MODIFIED CASH BASIS
For the Year Ended December 31, 2017

	2017		
	<u>Unrestricted</u>	<u>Temporarily Resrticted</u>	<u>Total</u>
<i>Expenses (continued)</i>			
Repairs	3,895	-	3,895
Security	1,713	-	1,713
Salaries and wages	215,354	-	215,354
Payroll taxes	19,126	-	19,126
Telephone	2,420	-	2,420
Travel	2,114	-	2,114
Miscellaneous	7,703	-	7,703
Education	756	-	756
Supplies	31,483	-	31,483
Utilities	16,414	-	16,414
Taxes	499	-	499
Total expenses	430,686	-	430,686
<i>Change in net assets</i>	(90,231)	93,027	2,796
<i>Net assets as of beginning of year</i>	1,342,566	10,437	1,353,003
<i>Prior period adjustment - Note 5</i>	(5,735)	5,735	-
<i>Net assets released from restrictions</i>	11,051	(11,051)	-
<i>Net assets as of end of year</i>	\$ 1,257,651	98,148	\$ 1,355,799

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Paso Robles Youth Arts Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Paso Robles Youth Arts Foundation is a non-profit, private foundation organized under the laws of the State of California. The Organization's purpose is to serve children aged 5-18 each year by offering free classes in dance, theater, music, art and digital media. The Organization was incorporated on July 1, 1998.

Basis of Accounting

The financial statements are presented on the modified cash basis of accounting. Accordingly, revenues are recognized when received rather than when earned and expenses are recognized when paid, rather than when the obligation is incurred. The modification of the cash basis includes: recording inventory, prepaid expenses, capitalizing acquisitions of fixed assets, recording depreciation of fixed assets, payroll taxes payable, sales taxes payable, and deferred revenue. The direct write off method is used to write off uncollectible accounts when they become known. Net assets are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations which are not limited otherwise by donor restrictions and net assets released from temporary restrictions due to the terms of the restrictions or contingencies being met.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions or restrictions voluntarily approved and imposed by the Board of Directors. Temporary restrictions are contingent upon specific performance of a future event or a specific passage of time. The Foundation currently has \$ 98,148 in temporarily restricted funds at this time.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations. The Foundation has no permanently restricted funds at this time.

Paso Robles Youth Arts Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Revenue Recognition

The Foundation reports gifts of cash and other assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Foundation reports donor restricted gifts as temporarily restricted or permanently restricted revenues. Temporarily restricted net assets are reclassified to unrestricted net assets when donor restrictions are satisfied. Gifts with restrictions that are satisfied within the same reporting period are recorded as unrestricted contributions.

In-Kind Donations

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills that would typically need to be purchased if not provided by donation, if any, are recorded at their fair values in the period received. The amounts reflected in the accompanying financial statements as in-kind donations are offset by like amounts included in expenses or assets.

Use of Estimates

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

Income Taxes

The Foundation is a not-for-profit organization and is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Cal. Rev. & Tax Dc. Sec. 23701(d).

In 2014, the Foundation filed a notification of intent with the Internal Revenue Service to terminate its private foundation status under section 507 (b)(1)(B) with a change to a public charity under section 509(a)(1).

An advanced letter ruling period of 60 months began January 1, 2015 and ends December 31, 2019. All 2017 private foundation informational returns will be filed.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposited in checking accounts for operational purposes and funds invested in highly liquid money market and certificate of deposit account.

Property and Equipment

Property and equipment over \$1,000 are recorded at cost at the date of acquisition or at fair market value when contributed. Repairs and maintenance are charged to expense when incurred. Depreciation expense is calculated on the straight-line and accelerated methods over the useful life of five to thirty-nine years.

Paso Robles Youth Arts Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2: FIXED ASSETS

Summaries of fixed assets by major classifications at December 31, 2016 are as follows:

	<u>2016</u>
Building	\$ 790,251
Improvements	472,615
Furniture and equipment	<u>44,348</u>
Total fixed assets	1,307,214
Less accumulated depreciation	<u>(510,227)</u>
Net property and equipment	796,987
Land	<u>135,000</u>
Total property and equipment	<u>\$ 931,987</u>

Depreciation expense for the year ended December 31, 2017 was \$ 35,898.

NOTE 3: INSURANCE PROCEEDS

The Foundation, in 2016, received insurance proceeds of \$9,016 for damage done to fencing. The Foundation will use the remaining \$ 1,926 in 2018.

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

The Foundation received donations in 2016 of \$ 10,437, which were subsequently used in 2017. In 2017 the Foundation received \$ 93, 027 in donations. The restrictions stipulate that the donated funds could not be used for operations but are to be used for the following: \$ 44,979 for student classes, including payroll for instructors and classroom supplies and \$ 48,048 for the Solar program. Prior year funds of \$ 5,735 was reallocated to temporarily restricted net assets, with a total of \$ 614 spent in 2017. The total funds that remain unused at December 31, 2017 are \$ 98,148.

NOTE 5: PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$ 5,735 has been recorded to reallocate funds, originally recorded as unrestricted net assets, received in 2016 which have been earmarked by the board of directors for the Solar project.

Paso Robles Youth Arts Foundation
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 6: DONATED MATERIALS AND SERVICES

The Foundation receives donations of time and services from members of the community and volunteers. The value of donated professional services, totaling \$10,208, is reflected in the accompanying financial statements as in-kind revenue and is offset by a corresponding in-kind expense. In-kind donations of items, totaling \$ 38,604, used directly by the Foundation are valued at their appraised values at the time of the gift and expensed to the appropriate account.

The value of donated services from 87 volunteers was not recognized in the accompanying financial statements, as they do not meet the criteria for recognition as explained in Note 1. The unrecognized estimated value for 1,385 volunteer hours amounted to \$ 40,691 at December 31, 2017.

NOTE 7: CONCENTRATION OF BUSINESS RISK

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

NOTE 8: CONCENTRATION OF CREDIT RISK

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

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 1, 2018 the date which the financial statements were available to be issued. There are no subsequent events to report.