

**Paso Robles Youth Arts Foundation**

INDEPENDENT AUDITORS' REPORT  
and  
FINANCIAL STATEMENTS  
December 31, 2016

**Paso Robles Youth Arts Foundation**  
**INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS**  
December 31, 2016

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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, 2016, 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.

Paso Robles Youth Arts Foundation  
Independent Auditors' Report (continued)  
December 31, 2016

**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, 2016, 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 8, 2017

**Paso Robles Youth Arts Foundation**  
**STATEMENT OF ASSETS, LIABILITIES AND**  
**NET ASSETS - MODIFIED CASH BASIS**  
December 31, 2016

**ASSETS**

	2016		
	Unrestricted	Temporarily Restricted	Total
<b>Current assets</b>			
Cash and cash equivalents	\$ 390,833	\$ 10,437	\$ 401,270
Employee advance	22	-	22
Prepaid expenses	3,464	-	3,464
Total current assets	394,319	10,437	404,756
<b>Property and equipment, net (Notes 1 and 2)</b>	964,910	-	964,910
Total assets	\$ 1,359,229	\$ 10,437	\$ 1,369,666

**LIABILITIES AND NET ASSETS**

	2016		
	Unrestricted	Temporarily Restricted	Total
<b>Current Liabilities</b>			
Payroll liabilities	\$ 7,515	\$ -	\$ 7,515
Insurance proceeds - Note 3	9,016	-	\$ 9,016
Other	132	-	132
Total current liabilities	16,663	-	16,663
<b>Net assets</b>			
Temporarily restricted - Note 4	-	10,437	10,437
Unrestricted			
Unreserved	1,342,566	-	1,342,566
Total net assets	1,342,566	10,437	1,353,003
Total liabilities and net assets	\$ 1,359,229	\$ 10,437	\$ 1,369,666

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, 2016

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Contributions and public support</b>			
Donations	\$ 186,127	\$ 10,437	\$ 196,564
Grants	10,063	-	10,063
Donated materials and services (in-kind) - Note 5	63,303	-	63,303
Total contributions	259,493	10,437	269,930
<b>Revenues</b>			
Program revenues	31,500	-	31,500
Facility rental	42,980	-	42,980
Equipment rental	1,521	-	1,521
Insurance proceeds	7,749	-	7,749
Other	14,962	-	14,962
Gain on sale of assets	5,366	-	5,366
Interest	870	-	870
Total revenues	104,948	-	104,948
Total contributions and revenues	364,441	10,437	374,878
<b>Expenses</b>			
Accounting	2,500	-	2,500
Advertising	2,164	-	2,164
Employee benefits	4,434	-	4,434
Outside services	21,787	-	21,787
Bank fees	121	-	121
Credit card fees	1,768	-	1,768
Equipment rental	275	-	275
Payroll processing	3,774	-	3,774
Fingerprinting	538	-	538
Dues and subscriptions	360	-	360
Postage	1,717	-	1,717
Printing	4,770	-	4,770
Depreciation	38,558	-	38,558
Gardening	3,176	-	3,176
Insurance	13,593	-	13,593
Janitorial	28,587	-	28,587
Licenses and permits	5,662	-	5,662

See independent auditors' report.  
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**Paso Robles Youth Arts Foundation**  
**STATEMENT OF SUPPORT, REVENUE**  
**AND EXPENSES - MODIFIED CASH BASIS**  
**For the Year Ended December 31, 2016**

	2016		
	<u>Unrestricted</u>	<u>Temporarily Resrticted</u>	<u>Total</u>
<b><i>Expenses (continued)</i></b>			
Repairs	9,243	-	9,243
Security	480	-	480
Professional fees	974	-	974
Salaries and wages	213,063	-	213,063
Payroll taxes	20,327	-	20,327
Telephone	1,925	-	1,925
Travel	2,186	-	2,186
Miscellaneous	4,236	-	4,236
Education	1,001	-	1,001
Supplies	19,611	-	19,611
Utilities	14,873	-	14,873
Taxes	538	-	538
Total expenses	422,241	-	422,241
<b><i>Change in net assets</i></b>	(57,800)	10,437	(47,363)
<b><i>Net assets as of beginning of year</i></b>	1,400,366	-	1,400,366
<b><i>Net assets as of end of year</i></b>	<b>\$ 1,342,566</b>	<b>10,437</b>	<b>\$ 1,353,003</b>

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, 2016

**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 has no 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, 2016

**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 2016 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, 2016

**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	469,640
Furniture and equipment	<u>52,148</u>
Total fixed assets	1,312,039
Less accumulated depreciation	<u>(482,129)</u>
Net property and equipment	829,910
Land	<u>135,000</u>
Total property and equipment	<u>\$ 964,910</u>

Depreciation expense for the year ended December 31, 2016 was \$ 38,558.

**NOTE 3: INSURANCE PROCEEDS**

The Foundation received insurance proceeds of \$9,016 for damage done to fencing. All proceeds remain unspent at December 31, 2016. The Foundation will use the funds in 2017.

**NOTE 4: TEMPORARILY RESTRICTED NET ASSETS**

The Foundation received donations in 2016 of \$ 10,437. The restrictions stipulate that the donated funds could not be used for operations but are to be used for the following: \$ 2,437 for student classes, including payroll for instructors and classroom supplies and \$ 8,000 for student performances including payroll for instructors, theatre equipment and supplies. All of the funds remained unused at December 31, 2016.

**NOTE 5: 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 \$17,488, 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 \$45,815, 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 38 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 676 volunteer hours amounted to \$19,023 at December 31, 2016.

**Paso Robles Youth Arts Foundation**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2016

**NOTE 6: CONCENTRATION OF BUSINESS RISK**

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

**NOTE 7: 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 8: COMMITMENTS**

**Copier Lease**

On December 12, 2012, the Foundation entered into a sixty month lease agreement with General Electric Capital Corporation to lease a copy machine. The lease payment is \$109 per month, plus taxes. Future minimum lease payments are as follows:

For the year ended:	
December 31, 2017	<u>\$ 1,199</u>
Total	<u>\$ 1,199</u>

**NOTE 9: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 8, 2017 the date which the financial statements were available to be issued. There are no subsequent events to report.