

FERNANDO PULLUM COMMUNITY ARTS CENTER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

FERNANDO PULLUM COMMUNITY ARTS CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2022

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STEVEN D. MOCALIS
CERTIFIED PUBLIC ACCOUNTANT
555 N EL CAMINO REAL #A225
SAN CLEMENTE, CA 92672
(949) 485-5522

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fernando Pullum Community Arts Center

Opinion

I have audited the accompanying financial statements of Fernando Pullum Community Art Center, (a California Nonprofit Corporation), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fernando Pullum Community Art Center as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Organization and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

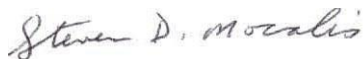
Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



San Clemente, CA

July 6, 2023

FERNANDO PULLUM COMMUNITY ARTS CENTER
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2022

ASSETS

Cash	\$ 213,490
Investments (Note 3)	714,547
Accounts receivable	2,000
Prepaid expenses and deposits	18,534
Fixed assets, net (Note 4)	145,612
Total assets	<u>\$ 1,094,183</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 943
Total liabilities	<u>943</u>

NET ASSETS

Without donor restrictions	1,067,517
With donor restrictions (Note 5)	25,723
Total net assets	<u>1,093,240</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,094,183</u>
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The accompanying notes are an integral part of these financial statements.

FERNANDO PULLUM COMMUNITY ARTS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions and grants	\$ 703,540	\$ 25,723	\$ 729,263
In-kind contributions (Note 6)	174,520	-	174,520
Special events, net of expenses of \$32,826	263,378	-	263,378
Paycheck protection loan forgiveness	75,972	-	75,972
Program income	56,807	-	56,807
Other income	480	-	480
Total revenues and support	<u>1,274,697</u>	<u>25,723</u>	<u>1,300,420</u>
EXPENSES			
Program services	809,523	-	809,523
Management and general	125,372	-	125,372
Fundraising	72,853	-	72,853
Total expenses	<u>1,007,748</u>	<u>-</u>	<u>1,007,748</u>
CHANGE IN NET ASSETS	266,949	25,723	292,672
NET ASSETS, BEGINNING OF YEAR	<u>800,568</u>	<u>-</u>	<u>800,568</u>
NET ASSETS, END OF YEAR	<u>\$ 1,067,517</u>	<u>\$ 25,723</u>	<u>\$ 1,093,240</u>

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

FERNANDO PULLUM COMMUNITY ARTS CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Employee expenses:				
Salaries	\$ 359,239	\$ 42,107	\$ 18,125	\$ 419,471
Employee benefits	13,805	2,595	2,345	18,745
Payroll taxes	30,137	3,532	1,521	35,190
Total employee expenses	<u>403,181</u>	<u>48,234</u>	<u>21,991</u>	<u>473,406</u>
Other expenses:				
Contribution	3,361	-	-	3,361
Depreciation	28,320	1,491	-	29,811
Equipment purchases	7,456	-	-	7,456
Equipment repairs and maintenance	1,130	-	-	1,130
Field trips	5,246	-	-	5,246
Food	126,438	2,019	-	128,457
Insurance	1,764	15,365	-	17,129
Janitorial	2,925	220	-	3,145
Musical arrangements	885	-	-	885
Musical shows	31,224	-	-	31,224
Office expenses	-	3,678	-	3,678
Office supplies	-	1,428	-	1,428
Performance expenses	27,569	-	-	27,569
Professional services	20,295	28,008	50,862	99,165
Program supplies and expenses	15,052	-	-	15,052
Promotion and advertising	550	8,859	-	9,409
Rent	77,584	5,840	-	83,424
Repairs and maintenance	13,159	920	-	14,079
Substitute teachers	3,212	-	-	3,212
Teacher assistant and security	17,066	-	-	17,066
Telephone and internet	-	1,724	-	1,724
Transportation	7,986	1,024	-	9,010
Trash, rubbish, refuse	2,880	217	-	3,097
Utilities	4,240	319	-	4,559
Video production	8,000	-	-	8,000
Website subscriptions	-	6,026	-	6,026
Total other expenses	<u>406,342</u>	<u>77,138</u>	<u>50,862</u>	<u>534,342</u>
Total Expenses	<u>\$ 809,523</u>	<u>\$ 125,372</u>	<u>\$ 72,853</u>	<u>\$ 1,007,748</u>

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

**FERNANDO PULLUM COMMUNITY ARTS CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 292,672
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	29,811
Contribution of property and equipment	3,361
Reinvestment of dividends	(257)
Changes in operating assets and liabilities:	
Accounts receivable	(1,000)
Prepaid expenses and deposits	(4,792)
Accounts payable and accrued expenses	943
Loan payable	(75,972)
Net cash provided by operating activities	244,766
 Cash flows from investing activities:	
Proceeds from sale of investments	50,000
Purchases of investments	(200,000)
Purchases of and improvements to property	(49,100)
Purchases of property and equipment	(4,439)
Net cash used by investing activities	(203,539)
 NET INCREASE IN CASH	 41,227
 CASH, BEGINNING OF YEAR	 172,263
 CASH, END OF YEAR	 \$ 213,490

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

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE 1 – ORGANIZATION

Founded in 2011, Fernando Pullum Community Arts Center (Pullum Center) offers quality performing arts instruction to more than 1,200 underserved students, ages 5 to 20. The Pullum Center uses the performing arts to empower the children of South Los Angeles to understand their true value, impact their community as positive role models and inspire them to expand their dreams of who they can become. Our teachers provide a program filled with structure and well-planned curriculum to help students develop a love for and competency in the performing arts and apply the same dedication and commitment to their academics. The Pullum Center serves all students with a desire to learn and grow their talent, and our program is offered free of charge. Nearly all students who stay with the program during high school graduate and go on to college or a performing arts career.

The Pullum Center's administrative offices and main teaching facilities are in a leased building in the Leimert Park area of Los Angeles. The Center also provides classes in participating neighborhood schools. During the school year, weekly classes are provided to more than 1,200 students. During the summer session, classes are provided for more than 200 students throughout the day at the Center and one of the participating schools—Marcus Garvey. Additionally, daily meals are provided for the children at the Center and Marcus Garvey during both the school year and the summer session programs. During the school year, most services provided occur after normal school hours.

The Pullum Center produces one or two musicals each year in local auditoriums, attended by family, friends, and the public. At the end of the fall semester, spring semester, and summer program, showcases are held for family, friends, and the public to show the progress students have made in their studies. The students also participate in serving food to the homeless and performing regularly for senior citizens in neighborhood facilities. The Jazz Band, which consists of upper-level students, performs several times per month at private and public events including major jazz festivals, award ceremonies, and business and nonprofit events. They also have performed with major professional artists and appeared on regional and national television programs and at Grammy Awards events.

To support its activities, the Pullum Center solicits private contributions from individuals, foundations, local governments, and other institutions. Substantial support, particularly regarding food, also comes in the form of in-kind contributions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Pullum Center considers all highly liquid investments with an initial maturity of three months or less held in local banks accounts to be cash equivalents.

Investments - Investments are stated at fair value and purchases and sales are recorded on a trade or contract date basis. The estimated fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the statement of activities and changes in net assets in the period that such fluctuations occur. The Pullum Center does not currently own any alternative investments for which quoted prices are unavailable.

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable - Pledges Receivable is recorded when a donor pledges a promise to give a certain amount to the Pullum Center. The carrying value of pledges receivable, net of allowance for doubtful accounts, if any, represents their estimated net realizable value.

Fair Value of Financial Instruments - In accordance with Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements*, fair value is defined as the price that the Organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

Fair Value of Financial Instruments

The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level I Quoted prices in active markets for identical assets and liabilities.

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

Fixed Assets - Acquisitions of vehicles, furniture and fixtures, and equipment in excess of \$1,000 are capitalized and carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is being provided by use of the straight-line method over the estimated useful lives of the assets.

Donated Assets and Services - Contributions of donated assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Revenue Recognition - Summer camp revenue and music productions revenue is recognized when services are performed. Revenue received from ticket sales for a future special event is deferred until the next applicable accounting period.

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Reporting - Costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, primarily on the basis of direct labor, however certain occupancy costs have been allocated based on square footage.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, and expenses as of the date and the period presented. Accordingly, actual results could differ from those estimates.

Income Taxes - The Pullum Center is exempt from federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for federal or state income taxes is included in the financial statements. The Pullum Center has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Pullum Center has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. Management believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a materially adverse effect on the Pullum Center's financial condition, results of operations or cash flows. Accordingly, management has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions on August 31, 2022.

The Pullum Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2018.

Financial Statement Presentation and Contributions - The Pullum Center recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of the Pullum Center and changes therein are classified and reported as follows:

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Pullum Center and/or passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying financial statements as net assets released from restrictions.

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in the primary objectives of the Pullum Center.

Board-designated net assets - Net assets without donor restrictions that are subject to self-imposed limits by action of the Pullum Center's board of directors. Board-designated net assets may be earmarked for future programs, investment, capital improvements, contingencies, purchase or construction of fixed assets, or other uses. There are currently no board-designated net assets.

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Recent Accounting Pronouncements - In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842), with subsequent improvements and clarifications issued in ASU 2018-01, ASU 2018-10 and ASU 2018-20. ASU 2016-02, along with the noted related ASUs issued in 2018 amends a number of aspects of lease accounting, including requiring lessees to recognize both a “right of use” asset and a corresponding lease obligation liability for all leases with a term longer than 12 months. For lease with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right of use asset and lease obligation liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, The Pullum Center is currently evaluating the impact of the provisions of ASU 2016-002 on the presentation of its financial statements.

In-Kind Contributions - In September 2020, The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of the ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by not-for-profit organizations. ASU 2020-07 does not affect the current standard regarding the accounting and recognition of nonfinancial assets, but rather the requirements for proper presentation and disclosure in the reporting entity’s financial statements. The standard is effective for the Organization in its year ended August 31, 2022.

NOTE 3 – INVESTMENTS

The Pullum Center’s investments consist of cash and money market funds, which are deemed to be cash and cash equivalents. The following table summarizes the valuation of the Pullum Center’s investments per the ASC 820 fair value hierarchy levels as of August 31, 2022:

Cash	\$ <u>714,547</u>
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Cash is classified as Level I assets in the ASC 820 fair value hierarchy in Note 2. There were no Level II or Level III investments made during the year.

NOTE 4 – FIXED ASSETS

As of August 31, 2022, fixed assets were as follows:

Equipment	\$ 104,293
Leasehold improvements	92,275
Vehicle	36,644
Furniture and fixtures	<u>17,474</u>
Subtotal	250,686
Less: accumulated depreciation	<u>(105,074)</u>
Total	<u>\$ 145,612</u>

Depreciation expense for the year ended August 31, 2022, was \$ 29,811.

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are to be used to purchase musical instruments. There were no prior year donor restrictions.

NOTE 6 – IN-KIND DONATIONS

During the year, the Pullum Center received food contributions valued at \$120,000. The food is used normally to feed students dinner during the school-year program and breakfast & lunch during the summer session.

The Pullum Center often receives donations of musical instruments, in addition to purchasing instruments itself, to further its instruction program. This fiscal year the instruments donated had a fair market value of \$6,520.

The Pullum Center is a member of the City Music Network of the Berklee College of Music in Boston, MA, one of the premiere music education colleges in the United States. The membership entitles Pullum Center students to take advantage of an array of online courses free of charge. Additionally, the Pullum Center commits to submit up to two of its students each year to be considered for the Berklee summer program, offered to some of the best high school musicians from around the world.

NOTE 7 – MUSICAL PRODUCTIONS

During the fiscal year, Pullum Center hosted two musicals: 1) *Fa Mulan* and 2) *Once on This Island*. The production costs ran to \$38,731 for *Fa Mulan* and \$32,961 for *Once on This Island*.

NOTE 8 – OPERATING LEASE COMMITMENT

On August 1, 2020, and November 1, 2020, the Pullum Center entered into separate agreements to lease building space until October 31, 2025.

The following is a schedule by years of future minimum rent payments:

Year Ending August 31:	
2023	\$ 83,915
2024	89,250
2025	89,250
Thereafter	<u>14,875</u>
	<u>\$ 277,290</u>

NOTE 9 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balance (including restricted cash) at one financial institution insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. FDIC deposit insurance is \$250,000 per depositor through December 31, 2022.

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022**

NOTE 10 – RELATED-PARTY TRANSACTIONS

Volunteer members of the Board make private contributions and are active in the oversight of fund-raising events and program activities. Contributions received from the Board or associated with the Board were approximately \$240,500.

NOTE 11 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure without donor or other restrictions limiting their use within one year of the Statement of Financial Position date are as follows:

Cash	\$ 213,490
Accounts receivable	2,000
Investments	<u>714,547</u>
Total	<u>\$ 930,037</u>

The Pullum Center prepares detailed budgets on an annual basis and monitors budget to actual variances throughout the year such that operations can be adjusted to match any shortfalls in budgeted net revenue.

NOTE 12 – SUBSEQUENT EVENTS

The Pullum Center evaluated subsequent events through July 6, 2023, which was the date the financial statements were available for issuance and concluded that no additional disclosures are required.