

FERNANDO PULLUM COMMUNITY ARTS CENTER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

FERNANDO PULLUM COMMUNITY ARTS CENTER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

TABLE OF CONTENTS

FINANCIAL INFORMATION

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

STEVEN D. MOCALIS
CERTIFIED PUBLIC ACCOUNTANT
302 AVENIDA DE LA ESTRELLA
SAN CLEMENTE, CA 92672
(949) 485-5522

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fernando Pullum Community Arts Center

I have audited the accompanying statement of financial position of Fernando Pullum Community Arts Center, a California nonprofit organization as of August 31, 2018, and the related statements of activities, functional expenses and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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

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

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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fernando Pullum Community Arts Center as of August 31, 2018, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Steven D. Mocalis

San Clemente, California
February 25, 2019

FERNANDO PULLUM COMMUNITY ARTS CENTER
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018

ASSETS

Cash	\$ 23,278
Investments (Note 3)	50,292
Accounts receivable	750
Prepaid expenses and deposits	3,481
Fixed assets, net (Note 5)	<u>59,204</u>
Total assets	<u><u>\$ 137,005</u></u>

LIABILITIES

Salary & payroll taxes payable	<u>\$ 10,765</u>
Total liabilities	<u>10,765</u>

NET ASSETS

Unrestricted net assets	<u>126,240</u>
Total net assets	<u>126,240</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 137,005</u></u>
---	--------------------------

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, 2018**

	Unrestricted
REVENUES AND SUPPORT	
Contributions	\$ 452,484
In-kind contributions	177,717
Special events, net of expenses of \$28,869	89,792
Program income	33,420
Other income	284
Total revenues and support	753,697
EXPENSES	
Program services	587,169
Management and general	83,529
Fundraising	59,894
Total expenses	730,592
CHANGE IN NET ASSETS	23,105
NET ASSETS, BEGINNING OF YEAR	103,135
NET ASSETS, END OF YEAR	\$ 126,240

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, 2018

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 243,635	\$ 38,068	\$ 22,841	\$ 304,544
Payroll taxes	24,243	3,788	2,273	30,304
Employee benefits	13,233	2,068	1,240	16,541
Assessments	861	45	-	906
Depreciation	13,496	-	-	13,496
Equipment purchases	4,970	-	-	4,970
Equipment repairs and maintenance	280	-	-	280
Field trips	9,133	-	-	9,133
Food	123,595	-	-	123,595
Insurance	8,193	2,839	-	11,032
Janitorial	3,456	182	-	3,638
Musical Productions (Note 3)	42,497	-	-	42,497
Office expenses	-	7,440	-	7,440
Office supplies	-	1,175	-	1,175
Performers	1,890	-	-	1,890
Professional services	7,200	19,637	33,540	60,377
Program supplies and expenses	7,326	-	-	7,326
Promotion and advertising	1,101	2,200	-	3,301
Recordings	8,450	-	-	8,450
Rent	49,761	2,619	-	52,380
Repairs and maintenance	2,604	137	-	2,741
Substitute assistants	6,188	-	-	6,188
Substitute teachers	2,700	-	-	2,700
Telephone and internet	-	3,068	-	3,068
Transportation	7,328	-	-	7,328
Trash, rubbish, refuse	2,156	113	-	2,269
Utilities	2,873	150	-	3,023
Total	<u>\$ 587,169</u>	<u>\$ 83,529</u>	<u>\$ 59,894</u>	<u>\$ 730,592</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, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 23,105
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,496
Non-cash contributions, capitalized	(3,175)
Non-cash stock contributions	(2,460)
Reinvested dividends and interest	(132)
Changes in operating assets and liabilities	
Accounts receivable	(750)
Prepaid expenses	(1,645)
Salary & payroll taxes payable	10,765
Net cash provided by operating activities	39,204
 Cash flows from investing activities	
Purchases of equipment	(15,354)
Proceeds from sale of investments	92,500
Purchases of investments	(140,000)
Net cash (used) by investing activities	(62,854)
 NET DECREASE IN CASH	 (23,650)
 CASH, BEGINNING OF YEAR	 46,928
 CASH, END OF YEAR	 \$ 23,278

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

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

NOTE 1 – ORGANIZATION

Fernando Pullum Community Arts Center (“FPCAC”) was incorporated in the State of California on July 13, 2011. The Organization’s specific and primary purpose is to offer children in South Central Los Angeles a safe environment in which they learn performing arts (instrumental music, voice, drama & dance) from respectful and caring adults. The Center strives to teach the children to be accountable to themselves and others and aim for meaningful and productive lives. The Center’s staff is focused on turning children’s lives away from gangs, violence and self-destructive behavior and towards community, peace and awakened expectations of what one’s life can be.

The Center’s administrative offices and main teaching facilities are located in a leased building in the Leimert Park area of Los Angeles. The Center also provides classes in four participating schools in neighboring areas. During the school year, 30 weekly classes are conducted at the Center and another 30 are conducted at the participating schools to more than 600 children. During the summer session, classes are conducted throughout the day at the Center and one of the participating schools – Marcus Garvey. Additionally, daily meals for the children are provided at the Center and Marcus Garvey during both the school year and the summer session programs. The Marcus Garvey program also provides academic instruction for the children. During the school year, most services provided to the children by FPCAC occur after normal school hours.

The students and staff of FPCAC produce one or two musicals each year in local auditoriums, attended by family, friends and the public. The students also participate in serving food to the homeless and playing music for senior citizens confined to nursing homes. The jazz band, which consists of upper level students, performs two to four times per month at private and public events including major jazz festivals. They also have appeared on regional and national television programs.

To support its activities, FPCAC solicits private contributions from individuals, foundations & other institutions and local government. 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.

Pledges Receivable – Pledges receivables are recorded when a donor pledges a promise to give a certain amount to the Organization. The carrying value of pledges receivables, net of allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical trends, type of customer, the age of the outstanding receivables, and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collect ability of those balances and the allowance adjusted accordingly.

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Organization does not currently own any alternative investments for which quoted prices are unavailable.

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 includes 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.

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets – Acquisitions of vehicles, furniture, 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.

Income Taxes – Fernando Pullum Community Arts 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.

In accordance with the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), the accounting for uncertainties in income taxes recognized in an entity's financial statements prescribes a threshold of more-likely-than-not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statement. The determination of tax-exempt status is considered to be a tax position taken with respect to the provisions of FASB. Fernando Pullum Community Arts Center does not believe its financial statements include any uncertain tax provisions.

Fernando Pullum Community Arts 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 2013.

Functional Expense Reporting - Costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

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.

Financial Statement Presentation and Contributions – Fernando Pullum Community Arts 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 Organization and changes therein are classified and reported as follows:

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation and Contributions – (Continued)

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in the primary objectives of the Organization.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets – Net assets that are restricted by the donors for investment in perpetuity. The investment income is available for general support of the Organization’s programs and operations. Fernando Pullum Community Arts Center did not have any permanently restricted net assets at August 31, 2018.

It is the policy of Fernando Pullum Community Arts Center to record temporarily restricted support as unrestricted support where the donor-imposed restrictions have been satisfied within the reporting period.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958)*. ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires an amended presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early application is permitted. The Council is currently evaluating the impact of the provisions of ASU 2016-14 on the presentation of its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statements of cash flows. The amendments in this ASU do not provide a definition of restricted cash or restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, and early application is permitted. The Council is currently evaluating the impact of the provisions of ASU 2016-18 on the presentation of its financial statements.

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

NOTE 3 – INVESTMENTS

The Organization’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 Organization’s investments per the ASC 820 fair value hierarchy levels as of August 31, 2018:

Money Market Funds	\$ 50,292
Cash	<u>160</u>
Total	<u>\$ 50,452</u>

NOTE 4 – MUSICAL PRODUCTIONS

Fernando Pullum Community Arts Center produced two musical shows during the year and incurred the following expenses:

Choir director	\$ 1,200
Choreography	2,500
Costumes	5,161
Equipment rental	3,293
Filming and photography	205
Food	854
Lighting	3,563
Production	1,130
Promotion and advertising	3,036
Set design and construction	4,300
Sound	1,000
Stage crew	1,400
Supplies	3,049
Transportation	537
Venue rental	<u>11,269</u>
Total	<u>\$ 42,497</u>

The staff time devoted to these shows appears in the statement of functional expenses as salaries (\$25,345) and is not included in the above numbers.

**FERNANDO PULLUM COMMUNITY ARTS CENTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018**

NOTE 5 – FIXED ASSETS

At August 31, 2018, fixed assets were as follows:

Equipment	\$ 32,846
Vehicle	43,895
Furniture and fixtures	<u>17,474</u>
Subtotal	94,215
Less: accumulated depreciation	<u>(35,011)</u>
Total	<u>\$ 59,204</u>

Depreciation expense for the year ended August 31, 2018 was \$ 13,496.

NOTE 6 – SUBSEQUENT EVENTS

Fernando Pullum Community Arts Center evaluated subsequent events through February 25, 2019, which was the date the financial statements were available for issuance and concluded that no additional disclosures are required.