

# East Bay Center for the Performing Arts

**Financial Statements with Independent Auditor's Report  
For the years ended June 30, 2021 and 2020**

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Independent Auditor's Report

To the Board of Directors of  
East Bay Center for the Performing Arts:

*Report on the Financial Statements*

We have audited the accompanying financial statements of East Bay Center for the Performing Arts, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 auditors consider 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.

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 financial position of East Bay Center for the Performing Arts as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Novogradac & Company LLP*

Walnut Creek, California  
January 3, 2022

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,610,943	\$ 1,166,590
Restricted cash	468,162	467,113
Accounts receivable, net	5,700	28,411
Pledges and grants receivable, current portion	458,718	1,333,509
Contracts receivable	90,440	176,555
Prepaid expenses and other assets	6,255	3,635
Total current assets	3,640,218	3,175,813
Fixed assets, net	10,040,934	10,412,342
Investment in Presidio Internet Center, LLC	1,930,000	1,930,000
Endowment investments	1,786,407	1,219,334
Pledges and grants receivable, net of current portion	525,306	490,000
Total long-term assets	14,282,647	14,051,676
Total assets	\$ 17,922,865	\$ 17,227,489
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 136,263	\$ 106,086
Deferred revenue	41,165	-
Notes payable	-	352,632
Total liabilities	177,428	458,718
Net assets:		
Without donor restrictions	13,609,030	13,260,243
With donor restrictions	4,136,407	3,508,528
Total net assets	17,745,437	16,768,771
Total liabilities and net assets	\$ 17,922,865	\$ 17,227,489

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

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
SUPPORT			
Individuals	\$ 1,164,652	\$ 25,000	\$ 1,189,652
Foundations	8,751	1,986,666	1,995,417
Corporations	77,637	-	77,637
PPP loan forgiveness	352,632		352,632
Government	14,499	73,000	87,499
Total support	<u>1,618,171</u>	<u>2,084,666</u>	<u>3,702,837</u>
EARNED INCOME			
Contracts	157,394	-	157,394
Tuition fees	30,111	-	30,111
Interest income	6,368	10,376	16,744
Special events	22,250	-	22,250
Rental income	2,470	-	2,470
Performance fees	1,200	-	1,200
Distribution income	180,000	-	180,000
Gain on investments	-	130,650	130,650
Other revenue	798	-	798
Total earned income	<u>400,591</u>	<u>141,026</u>	<u>541,617</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,597,813</u>	<u>(1,597,813)</u>	<u>-</u>
Total revenue	3,616,575	627,879	4,244,454
EXPENSES			
Program expenses	2,150,700	-	2,150,700
Development and fundraising	382,238	-	382,238
Management and general	697,190	-	697,190
Total expenses	<u>3,230,128</u>	<u>-</u>	<u>3,230,128</u>
Provision for unrelated business income tax	<u>37,660</u>	<u>-</u>	<u>37,660</u>
Changes in net assets	348,787	627,879	976,666
Net assets, beginning of year	<u>13,260,243</u>	<u>3,508,528</u>	<u>16,768,771</u>
Net assets, end of year	<u>\$ 13,609,030</u>	<u>\$ 4,136,407</u>	<u>\$ 17,745,437</u>

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

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**STATEMENTS OF ACTIVITIES - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
SUPPORT			
Individuals	\$ 1,218,794	\$ 50,271	\$ 1,269,065
Foundations	-	1,922,409	1,922,409
Corporations	69,877	-	69,877
Government	-	132,750	132,750
Total support	<u>1,288,671</u>	<u>2,105,430</u>	<u>3,394,101</u>
EARNED INCOME			
Contracts	267,842	-	267,842
Tuition fees	88,684	-	88,684
Interest income	8,833	1,634	10,467
Special events	38,550	-	38,550
Rental income	45,000	-	45,000
Performance fees	20,850	-	20,850
Distribution income	220,000	-	220,000
Gain on investments	-	36,456	36,456
Other revenue	1,208	-	1,208
Total earned income	<u>690,967</u>	<u>38,090</u>	<u>729,057</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,068,165</u>	<u>(1,068,165)</u>	<u>-</u>
Total revenue	3,047,803	1,075,355	4,123,158
EXPENSES			
Program expenses	2,437,791	-	2,437,791
Development and fundraising	400,020	-	400,020
Management and general	436,068	-	436,068
Total expenses	<u>3,273,879</u>	<u>-</u>	<u>3,273,879</u>
Provision for unrelated business income tax	<u>54,656</u>	<u>-</u>	<u>54,656</u>
Changes in net assets	(280,732)	1,075,355	794,623
Net assets, beginning of year	<u>13,540,975</u>	<u>2,433,173</u>	<u>15,974,148</u>
Net assets, end of year	<u>\$ 13,260,243</u>	<u>\$ 3,508,528</u>	<u>\$ 16,768,771</u>

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

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Expenses</u>	<u>Development and Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Payroll	\$ 1,528,076	\$ 364,579	\$ 395,083	\$ 2,287,738
Depreciation expense	356,552	4,902	9,954	371,408
Professional fees	52,062	10,511	174,131	236,704
General and administrative	101,976	1,181	83,213	186,370
Artist fees and program supplies	48,429	676	5,633	54,738
Repairs and maintenance	35,351	-	598	35,949
Utilities	28,254	388	789	29,431
Insurance	-	-	27,790	27,790
Total expenses	<u>\$ 2,150,700</u>	<u>\$ 382,238</u>	<u>\$ 697,190</u>	<u>\$ 3,230,128</u>
Expenses as a percentage of total expenses	<u>66.58%</u>	<u>11.83%</u>	<u>21.58%</u>	<u>100.00%</u>

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



**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Expenses</u>	<u>Development and Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Payroll	\$ 1,686,349	\$ 333,924	\$ 233,970	\$ 2,254,243
Depreciation expense	361,523	4,971	10,092	376,586
Professional fees	139,115	46,825	82,326	268,266
General and administrative	104,610	8,936	70,838	184,384
Artist fees and program supplies	51,305	4,685	8,820	64,810
Repairs and maintenance	45,523	-	620	46,143
Utilities	49,366	679	1,378	51,423
Insurance	-	-	28,024	28,024
Total expenses	<u>\$ 2,437,791</u>	<u>\$ 400,020</u>	<u>\$ 436,068</u>	<u>\$ 3,273,879</u>
Expenses as a percentage of total expenses	<u>74.46%</u>	<u>12.22%</u>	<u>13.32%</u>	<u>100.00%</u>

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

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 976,666	\$ 794,623
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	371,408	376,586
PPP loan forgiveness income	(352,632)	-
(Increase) decrease in assets:		
Accounts receivable, net	22,711	(19,767)
Pledges and grants receivable	839,485	(820,930)
Contracts receivable	86,115	(34,364)
Prepaid expenses and other assets	(2,620)	10,890
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	30,177	(23,621)
Deferred revenue	41,165	(43,803)
Net cash provided by operating activities	2,012,475	239,614
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Changes in endowment investments	(567,073)	(87,313)
Net cash used in investing activities	(567,073)	(87,313)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	-	352,632
Net increase in cash, cash equivalents and restricted cash	1,445,402	504,933
Cash, cash equivalents and restricted cash at beginning of year	1,633,703	1,128,770
Cash, cash equivalents and restricted cash at end of year	\$ 3,079,105	\$ 1,633,703
Cash and cash equivalents	\$ 2,610,943	\$ 1,166,590
Restricted cash	468,162	467,113
Total cash, cash equivalents and restricted cash	\$ 3,079,105	\$ 1,633,703

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

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED June 30, 2021 and 2020**

1. General

East Bay Center for the Performing Arts (the “EBCPA”) is a California nonprofit public benefit corporation organized in 1968 pursuant to California Nonprofit Corporation law for charitable and educational purposes. EBCPA is a community-based arts training and production institution. The mission of the center is to engage youth and young adults in imagining and creating new worlds for themselves and new visions for their communities through the inspiration and discipline of distinctive training in world performance traditions.

Founded in 1968, and rooted in principles of the community development movement as well as the national arts and culture field, the center is a trusted and neutral fulcrum of support for place-based action, optimism, and collaboration among gifted and diverse members of a complex community. EBCPA is supported primarily through donor contributions, grants and program services.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Under these provisions, the net assets of EBCPA and changes therein are classified and reported as follows:

Basis of presentation

EBCPA reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

***Net Assets without Donor Restrictions:*** Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions consist primarily of board designated operating reserve fund, capital assets, and general operating support.

***Net Assets with Donor Restrictions:*** Net assets that are subject to donor-imposed stipulations. Net assets with donor restrictions consist primarily of contributions, charitable gift annuities, and accumulated earnings on endowed funds. Some donor restrictions are temporary in nature, which can be fulfilled either by actions of those stipulations and/or expire with the passage of time and subject to the variance power of the Board of Directors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Endowment funds

The endowment consists of donor-restricted gifts in perpetuity. The endowment was established to advance the mission of EBCPA.

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED June 30, 2021 and 2020**

2. Summary of significant accounting policies and nature of operations (continued)

Endowment funds (continued)

Absent explicit donor stipulations to the contrary, the Board of Trustees of EBCPA has interpreted the State Prudent Management of Institutional Funds Act (“SPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, EBCPA classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, EBCPA considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return, (5) the expected total return from income and the appreciation of investments, (6) other resources of EBCPA, and (7) EBCPA’s investment policies.

***Investment Return Objectives, Risk Parameters and Strategies:*** EBCPA has adopted investment and spending policies, approved by the Board for endowment assets. The primary long-term financial objective is to preserve the real purchasing power of the endowment.

***Spending Policy:*** One of the investment objectives is to provide relatively predictable and sourced cash flows in support of EBCPA. Therefore, any distribution will be permitted only to the extent that such distribution does not exceed a level that would erode the real assets over time.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Concentration of credit risk

EBCPA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. EBCPA has not experienced any losses in such accounts. EBCPA believes it is not exposed to any significant credit risk on cash and cash equivalents.

Economic concentrations

EBCPA operates in Richmond, California. Future operations could be affected by changes in the economic or other conditions in that geographical area.

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED June 30, 2021 and 2020**

2. Summary of significant accounting policies and nature of operations (continued)

Functional allocation of expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on their proportional share of such expenses based on the annual budget projection performed by EBCPA's management. Salaries and benefits are allocated based on employee job responsibility and historical estimates of time spent on program or supporting services. Depreciation is allocated based on square footage, with the majority of the building space used for program activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of EBCPA.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition. Restricted cash is not considered cash and cash equivalents and includes cash held with financial institutions for interest and building maintenance reserves. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor-imposed restrictions.

Investment in Presidio Internet Center, LLC

EBCPA holds a membership interest in Presidio Internet Center, LLC ("Presidio"), a California limited liability company. The investment, acquired through a contribution, was initially measured at fair value. EBCPA has elected the alternative measurement method to account for its investment in Presidio. Distributions received from the accumulated earnings of Presidio are recognized as dividend income. Management periodically evaluates its investment in Presidio for impairment and records a write-down if it is determined that any impairment in value is other than temporary. Management determined there was no impairment loss recognized during the years ended June 30, 2021 and 2020.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of June 30, 2021 and 2020, the allowance for doubtful accounts was \$0.

Contracts receivable

Services provided by EBCPA and reimbursed by third parties are recorded as contract revenue in the period in which the reimbursable costs are incurred.

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED June 30, 2021 and 2020**

2. Summary of significant accounting policies and nature of operations (continued)

Pledges and grants receivable

Unconditional promises to give are recorded as contribution revenue in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Support and revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Revenue from tuition fees and government contracts is recognized as expenditures are made. Revenue resulting from special events, fees charged by EBCPA and other income is recorded when earned.

Fixed assets and depreciation

Fixed assets are recorded at cost of acquisition or construction. Expenditures or betterments that increase asset lives of one year or more are capitalized to the fixed asset accounts, while maintenance and repairs, performed to keep assets in their ordinary, efficient operating condition, are expensed. When fixed assets are retired or otherwise disposed, the cost of the fixed asset and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The useful lives of the assets are estimated as follows:

Office equipment and software	3 – 5 years
Furniture and equipment	3 – 30 years
Building improvements	15 years
Building	40 years

Income taxes

EBCPA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code (the “Codes”), except for unrelated business income, as defined in the Codes. EBCPA holds a membership interest in a for-profit limited liability company. Income allocated to EBCPA from the limited liability company is subject to tax on unrelated business income. As of June 30, 2021 and 2020, EBCPA recorded a tax liability of \$37,660 and \$54,656, respectively, on this unrelated business activity. EBCPA believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. EBCPA uses the asset and liability method to provide income taxes on all transactions recorded in the financial statements.

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED June 30, 2021 and 2020**

2. Summary of significant accounting policies and nature of operations (continued)

Income taxes (continued)

This method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book and tax purposes. Accordingly, a deferred tax asset or liability for each temporary difference is determined based on the tax rates that EBCPA expects to be in effect when the underlying items of income and expense are realized. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

EBCPA's provision for income taxes includes the current and deferred portions of that expense. A valuation allowance is established if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The valuation allowance reduces deferred tax assets to the amount EBCPA expects to realize. As of June 30, 2021 and 2020, there was a valuation allowance of \$0.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires EBCPA to report information regarding its exposure to various tax positions taken by EBCPA. Management has determined whether any tax positions have met the recognition threshold and has measured EBCPA's exposure to those tax positions. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to EBCPA are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Subsequent events

Subsequent events have been evaluated through January 3, 2022, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED June 30, 2021 and 2020**

3. Restricted cash

The board of directors has designated funds to hold as a building reserve (initiated during the Winters Building rehabilitation) to ensure that the building will be well maintained as a community and cultural asset.

As of June 30, 2021 and 2020, EBCPA's restricted cash consisted of the following:

	<u>Building Reserve</u>
Balance, July 1, 2019	\$ 362,346
Interest	1,532
Charges	(31)
Withdrawals	-
Deposits	<u>103,266</u>
Balance, June 30, 2020	467,113
Interest	849
Charges	-
Withdrawals	-
Deposits	<u>200</u>
Balance, June 30, 2021	<u>\$ 468,162</u>

4. Pledges and grants receivable

As of June 30, 2021 and 2020, pledges and grants receivable totaled \$984,024 and \$1,823,509, respectively.

Unconditional promises to give are as follows:

Year ending June 30,

2022    \$    \$58,485



**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED June 30, 2021 and 2020**

5. Fixed assets

As of June 30, 2021 and 2020, EBCPA's fixed assets consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 306,000	\$ 306,000
Buildings	13,225,910	13,225,910
Furniture and equipment	<u>602,779</u>	<u>602,779</u>
Total fixed assets	14,134,689	14,134,689
Less: accumulated depreciation	<u>(4,093,755)</u>	<u>(3,722,347)</u>
Fixed assets, net	<u>\$ 10,040,934</u>	<u>\$ 10,412,342</u>

Depreciation expense during the years ended June 30, 2021 and 2020 was \$371,408 and \$376,586, respectively.

6. Notes payable

Paycheck Protection Program loan

On April 30, 2020, EBCPA obtained a loan from Mechanics Bank in the amount of \$352,632. The loan (the "PPP Loan") was obtained pursuant to the paycheck protection program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under the paycheck protection program, part or all of the PPP Loan will be forgiven if the funds are used to pay qualified payroll or overhead costs. Any non-forgiven amounts will be treated as a loan and will be subject to an interest rate of 1% per annum. The PPP Loan matures on April 30, 2022 and requires monthly principal and interest payments of \$19,845.13 which were to begin on November 30, 2020. Pursuant to the Paycheck Protection Program Flexibility Act of 2020, the deferral period has been extended to 10 months from the end of the 24 week period following the funding of the PPP Loan. Management anticipates 100% of the PPP Loan will be forgiven. As of June 30, 2021, the PPP Loan was forgiven in full. PPP Loan forgiveness income of \$352,632 is included on the accompanying statement of activities.

7. Related party transactions

Investment in Presidio Internet Center, LLC

On December 31, 2016, EBCPA received a contribution of a limited liability company interest of 25% in Presidio. The remaining limited liability company interest is owned by a member on the board of directors. As of June 30, 2021 and 2020, EBCPA holds a limited liability company interest of 25% in Presidio. For the years ended June 30, 2021 and 2020, operating distributions received from Presidio were \$180,000 and \$220,000, respectively and are included in distribution income on the accompanying statement of activities. The investment in Presidio as of June 30, 2021 and 2020 is summarized as follows:

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED June 30, 2021 and 2020**

7. Related party transactions (continued)

Investment in Presidio Internet Center, LLC (continued)

July 1, 2019 - Investments	\$	1,930,000
Capital contributions		-
Capital distributions, in excess of accumulated earnings		-
June 30, 2020 - Investments		1,930,000
Capital contributions		-
Capital distributions, in excess of accumulated earnings		-
June 30, 2021 - Investments		<u>\$ 1,930,000</u>

8. Net assets with donor restrictions

EBCPA's net assets with donor restrictions as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Non-endowed	\$ 2,350,000	\$ 2,289,194
Endowed	<u>1,786,407</u>	<u>1,219,334</u>
Total net assets with donor restrictions	<u>\$ 4,136,407</u>	<u>\$ 3,508,528</u>

Net assets with donor restrictions consist of the following restrictions:

Grants with use restrictions – Grants pledged or received that are for a specific purpose are included in this category.

Grants with time restrictions – Grants pledged or received that are for future periods are included in this category.

General Operating Support – Grants were received in support of the Organization's general operating support.

The Organization has established an endowment fund established from contributions restricted by donors. All permanently restricted bequests or gifts received are added to the Endowment Fund.

9. Employee retirement plan

In July of 2013, EBCPA established a 401(k) plan. All employees are eligible to participate in the plan regardless of hours worked per week. Participating employees may contribute up to a maximum amount allowed by law. EBCPA may match the contribution up to 1.5% of the employee's salary provided the employee contributes at a minimum 2% of eligible earnings. For the years ended June 30, 2021 and 2020, EBCPA contributed \$19,780 and \$18,175, respectively, to the retirement plan.

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED June 30, 2021 and 2020**

10. Liquidity and availability of financial assets

The following reflects EBCPA's financial assets as of the statement of financial position date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments.

Financial assets

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,610,943	\$ 1,166,590
Endowment investments	1,786,407	1,219,334
Grants and other accounts receivable	<u>1,080,164</u>	<u>2,028,475</u>
Financial assets, at year end	5,477,514	4,414,399

Add those available for general expenditure within one year due to:

Time restricted funds available within one year	849,226	1,116,896
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Less those unavailable for general expenditure within one year due to:

Total net assets with donor restrictions	<u>(4,147,332)</u>	<u>(3,472,071)</u>
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Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,179,408</u>	<u>\$ 2,059,224</u>
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As part of EBCPA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

11. Vulnerability – Impact of COVID-19

The severity of the impact of COVID-19 on EBCPA's operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the EBCPA's programs, all of which are uncertain and cannot be predicted. EBCPA's future results could be adversely impacted by delays in pledge and grant collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows.