

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**FINANCIAL STATEMENTS**  
For the years ended June 30, 2018 and 2017  
with  
Independent Auditor's Report

# EAST BAY CENTER FOR THE PERFORMING ARTS

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**NOVOGRADAC  
& COMPANY** LLP®  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

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, 2018 and 2017, 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 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.

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, 2018 and 2017, 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.

*Novogrodac & Company LLP*

Walnut Creek, California  
November 13, 2018

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 741,725	\$ 582,036
Restricted cash	360,720	359,970
Accounts receivable, net	9,878	42,246
Pledges and grants receivable, current portion	976,197	400,390
Contracts receivable	219,952	138,027
Prepaid expenses and other assets	10,656	8,069
Total current assets	2,319,128	1,530,738
Fixed assets, net	11,167,038	11,554,354
Investment in Presidio Internet Center, LLC	1,930,000	2,030,000
Pledges and grants receivable, net	15,000	215,000
Total assets	\$ 15,431,166	\$ 15,330,092
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 64,557	\$ 82,048
Unrelated business income tax payable	9,781	-
Deferred revenue	193,338	18,854
Notes payable, current portion	150,000	350,000
Total liabilities	417,676	450,902
Net assets:		
Unrestricted net assets	13,801,888	13,933,267
Temporarily restricted net assets	711,602	945,923
Permanently restricted net assets	500,000	-
Total net assets	15,013,490	14,879,190
Total liabilities and net assets	\$ 15,431,166	\$ 15,330,092

*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, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
SUPPORT				
Individuals	\$ 545,310	\$ -	\$ 100,000	\$ 645,310
Foundations	18,250	616,336	400,000	1,034,586
Corporations	65,705	-	-	65,705
Contributions - debt forgiveness	200,000	-	-	200,000
Government	-	127,200	-	127,200
Total support	<u>829,265</u>	<u>743,536</u>	<u>500,000</u>	<u>2,072,801</u>
EARNED INCOME				
Contracts	251,626	-	-	251,626
Tuition fees	110,573	-	-	110,573
Interest income	1,053	-	-	1,053
Special events	44,887	-	-	44,887
Rental income	84,088	-	-	84,088
Performance fees	11,385	-	-	11,385
Distribution income	165,000	-	-	165,000
Other revenue	2,432	-	-	2,432
Total earned income	<u>671,044</u>	<u>-</u>	<u>-</u>	<u>671,044</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>977,857</u>	<u>(977,857)</u>	<u>-</u>	<u>-</u>
Total revenue	2,478,166	(234,321)	500,000	2,743,845
EXPENSES				
Program expenses	2,000,559	-	-	2,000,559
Development and fundraising	251,713	-	-	251,713
Management and general	347,492	-	-	347,492
Total expenses	<u>2,599,764</u>	<u>-</u>	<u>-</u>	<u>2,599,764</u>
Provision for unrelated business income tax	<u>9,781</u>	<u>-</u>	<u>-</u>	<u>9,781</u>
Changes in net assets	(131,379)	(234,321)	500,000	134,300
Net assets, beginning of year	<u>13,933,267</u>	<u>945,923</u>	<u>-</u>	<u>14,879,190</u>
Net assets, end of year	<u>\$ 13,801,888</u>	<u>\$ 711,602</u>	<u>\$ 500,000</u>	<u>\$ 15,013,490</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, 2017**

	Unrestricted	Temporarily Restricted	Total
REVENUE			
SUPPORT			
Individuals	\$ 2,877,687	\$ -	\$ 2,877,687
Foundations	8,500	1,309,106	1,317,606
Corporations	17,061	-	17,061
Contribution - debt forgiveness	200,000	-	200,000
Total support	<u>3,103,248</u>	<u>1,309,106</u>	<u>4,412,354</u>
EARNED INCOME			
Contracts	342,485	-	342,485
Tuition fees	119,696	-	119,696
Interest income	573	-	573
Special events	24,000	-	24,000
Rental income	96,821	-	96,821
Performance fees	7,963	-	7,963
Distribution income	75,000	-	75,000
Other revenue	2,401	-	2,401
Total earned income	<u>668,939</u>	<u>-</u>	<u>668,939</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>731,731</u>	<u>(731,731)</u>	<u>-</u>
Total revenue	4,503,918	577,375	5,081,293
EXPENSES			
Program expenses	1,875,747	-	1,875,747
Development and fundraising	228,883	-	228,883
Management and general	346,104	-	346,104
Total expenses	<u>2,450,734</u>	<u>-</u>	<u>2,450,734</u>
Changes in net assets	2,053,184	577,375	2,630,559
Net assets, beginning of year	<u>11,880,083</u>	<u>368,548</u>	<u>12,248,631</u>
Net assets, end of year	<u>\$ 13,933,267</u>	<u>\$ 945,923</u>	<u>\$ 14,879,190</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, 2018**

	<u>Program Expenses</u>	<u>Development and Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Payroll	\$ 1,273,059	\$ 239,237	\$ 201,725	\$ 1,714,021
Depreciation expense	394,665	-	-	394,665
Professional fees	112,741	1,725	64,737	179,203
General and administrative	22,007	8,601	50,308	80,916
Artist fees and program supplies	106,040	2,150	3,747	111,937
Repairs and maintenance	42,928	-	1,257	44,185
Utilities	49,119	-	-	49,119
Insurance	-	-	25,718	25,718
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 2,000,559</u>	<u>\$ 251,713</u>	<u>\$ 347,492</u>	<u>\$ 2,599,764</u>
Expenses as a percentage of total expenses	<u>76.95%</u>	<u>9.68%</u>	<u>13.37%</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 - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Program Expenses</u>	<u>Development and Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Payroll	\$ 1,229,971	\$ 179,465	\$ 208,756	\$ 1,618,192
Depreciation expense	408,368	-	-	408,368
Professional fees	72,630	36,838	52,893	162,361
Interest expense	2,523	-	-	2,523
General and administrative	17,346	10,477	59,306	87,129
Artist fees and program supplies	54,083	2,103	5,927	62,113
Repairs and maintenance	35,612	-	225	35,837
Utilities	55,214	-	-	55,214
Insurance	-	-	18,997	18,997
Total expenses	<u>\$ 1,875,747</u>	<u>\$ 228,883</u>	<u>\$ 346,104</u>	<u>\$ 2,450,734</u>
Expenses as a percentage of total expenses	<u>76.54%</u>	<u>9.34%</u>	<u>14.12%</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, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 134,300	\$ 2,630,559
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	394,665	408,368
Contribution of investment in Presidio Internet Center, LLC	-	(2,430,000)
Contributions - debt forgiveness	(200,000)	(200,000)
(Increase) decrease in assets:		
Accounts receivable, net	32,368	(20,349)
Pledges and grants receivable	(375,807)	(441,110)
Contracts receivable	(81,925)	(45,360)
Prepaid expenses and other assets	(2,587)	4,495
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(17,491)	16,672
Unrelated business income tax payable	9,781	-
Deferred revenue	174,484	(23,370)
Net cash provided by (used in) operating activities	67,788	(100,095)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Deposits to) withdrawals from restricted cash, net	(750)	11,941
Purchase of fixed assets	(7,349)	(11,828)
Distribution from investment in Presidio Internet Center, LLC	100,000	400,000
Net cash provided by investing activities	91,901	400,113
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	-	100,000
Repayment of line of credit	-	(100,000)
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	159,689	300,018
Cash and cash equivalents, at the beginning of the year	582,036	282,018
Cash and cash equivalents, at the end of the year	\$ 741,725	\$ 582,036
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest expense during the year	\$ -	\$ 16,508

*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, 2018 AND 2017

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

Basis of accounting

EBCPA prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Basis of presentation

EBCPA reports 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:*** Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets consist primarily of board designated operating reserve fund, capital assets, and general operating support.

***Temporarily Restricted Net Assets:*** Net assets that are subject to donor-imposed stipulations 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. Temporarily restricted net assets consist primarily of temporarily restricted contributions, charitable gift annuities, and accumulated earnings on endowed funds. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***Permanently Restricted Net Assets:*** Net assets that are subject to donor-imposed stipulations whereby the historic gift amount is to be preserved in perpetuity and are subject to the variance power of the Board of Directors. While the historic gift is to remain permanently maintained, EBCPA may expend the accumulated earnings, which are temporarily restricted, in accordance with donor specifications.

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

2. Summary of significant accounting policies (continued)

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.

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 permanently restricted net assets: (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by EBCPA in a manner consistent with the standard of prudence prescribed by SPMIFA. 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 overtime.

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, 2018 AND 2017**

2. Summary of significant accounting policies (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. Expenses that can be identified with a specific program or supporting service 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 an evaluation by EBCPA's management.

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 temporarily or permanently restricted assets 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 uses the cost method of accounting for its investment in Presidio, as EBCPA does not have significant influence over the limited liability company. Under the cost method, distributions received from the accumulated earnings of Presidio are recognized as dividend income. Distributions in excess of accumulated earnings are recognized as a reduction of the cost of the investment.

EBCPA periodically evaluates its investment in Presidio for impairment in value and records a write-down if it is determined that any impairment in value is other than temporary. There was no impairment loss recognized during the years ended June 30, 2018 and 2017.

Accounts receivable

EBCPA provides an allowance for doubtful accounts which is based upon review of outstanding receivables and historical collection information. Accounts receivable are written off if deemed uncollectible. As of June 30, 2018 and 2017, the allowance for doubtful accounts was \$12,781 and \$4,700, respectively.

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.

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 fair 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.

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

2. Summary of significant accounting policies (continued)

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 temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets 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, 2018 and 2017, EBCPA recorded a tax liability of \$9,781 and \$0, 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. 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.

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

2. Summary of significant accounting policies (continued)

Income taxes (continued)

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, 2018 and 2017, 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.

Recently issued accounting pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The major changes revolve around net asset classifications. ASU 2016-14 eliminates the distinction between resources with permanent restrictions and those with temporary restrictions by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes: net assets with donor restrictions and net assets without donor restrictions.

In addition to the fundamental change in net asset classifications, the new standard also includes a number of specific amendments, such as the following:

- Disclosure requirements of qualitative information on how EBCPA manages its liquid available resources and liquidity risks;
- Reporting requirements of the investment return, net of external and direct internal investment expenses (disclosure of those netted expenses is no longer required).
- Presentation of operating cash flows on the statement of cash flows using either the direct or indirect method.

ASU 2016-14 applies to all non-profit organizations and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted.

EBCPA is currently evaluating the impact the adoption of this standard will have on the financial statements.

Reclassifications

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

**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

3. Restricted cash

Pursuant to a loan agreement between EBCPA and New Markets Investment 54, LLC, EBCPA was required to establish an interest reserve account with an initial deposit of \$786,000. Quarterly withdrawals of \$27,653 were made from this account to fund a portion of the interest due on the notes payable. In addition, loan proceeds received by EBCPA were restricted for construction costs related to the rehabilitation of the Winters Building. While the interest account agreement has expired, the board of directors has agreed to keep the 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, 2018 and 2017, EBCPA's restricted cash consisted of the following:

	<u>Building Reserve</u>
Balance, July 1, 2016	\$ 371,911
Interest	598
Charges	(2,539)
Withdrawals	(110,000)
Deposits	<u>100,000</u>
Balance, June 30, 2017	359,970
Interest	750
Charges	-
Withdrawals	-
Deposits	<u>-</u>
Balance, June 30, 2018	<u>\$ 360,720</u>

Pursuant to a line of credit agreement between EBCPA and Beneficial State Bank, EBCPA is required to establish a certificate of deposit account with an initial deposit of \$100,000 as security for the business loan agreement. This certificate of deposit is included in cash and cash equivalents and is considered by management to be a part of the building reserve. Combined with the related restricted cash, the balance of the building reserve is \$461,473 and \$460,421 as of June 30, 2018 and 2017, respectively.

4. Pledges and grants receivable

As of June 30, 2018 and 2017, unconditional promises to give due totaled \$991,197 and \$615,390, respectively.

Unconditional promises to give are due as follows:

Year ending June 30,		
2019		\$ 976,197
2020		<u>15,000</u>
Total		<u>\$ 991,197</u>



**EAST BAY CENTER FOR THE PERFORMING ARTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

5. Fixed assets

As of June 30, 2018 and 2017, EBCPA's fixed assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 306,000	\$ 306,000
Building and improvements	13,225,910	13,225,910
Furniture and equipment	<u>593,946</u>	<u>586,597</u>
Total fixed assets	14,125,856	14,118,507
Less accumulated depreciation	<u>(2,958,818)</u>	<u>(2,564,153)</u>
Fixed assets, net	<u>\$ 11,167,038</u>	<u>\$ 11,554,354</u>

Depreciation expense during the years ended June 30, 2018 and 2017 was \$394,665 and \$408,368, respectively.

6. Notes payable

Line of credit

On May 1, 2014, EBCPA entered into a revolving line of credit agreement (the "Line of Credit") with Beneficial State Bank. The Line of Credit is in the amount of \$100,000 based on a variable interest rate equivalent to the U.S. Prime Rate plus 1 percentage point, rounded up to the nearest 0.125 percent. The Line of Credit is secured by a certificate of deposit account owned by EBCPA with Beneficial State Bank. For the years ended June 30, 2018 and 2017, interest expense was \$0 and \$2,523, respectively.

Bridge loan

On June 11, 2009, EBCPA obtained a bridge loan from the City of Richmond (formerly the Richmond Community Redevelopment Agency) in the amount of \$2,500,000. Loan proceeds were used together with additional funds to make the leverage loan. Repayment of the bridge loan is secured by EBCPA's rights and interest in the leverage loan, and additional collateral associated therewith. Prior to June 27, 2012, the bridge loan accrued 3% simple interest per annum. Payments of interest were made in quarterly installments beginning on July 15, 2009. On June 27, 2012, the City of Richmond extended the maturity date for which all unpaid principal and interest are due from June 30, 2012 to a maturity date of June 30, 2016 with the bridge loan now bearing zero interest per annum. On February 18, 2014, the City of Richmond extended the maturity date from June 30, 2016 to June 30, 2018 and further extended the maturity date to June 30, 2019 effective August 1, 2018. In addition, the City of Richmond has conditionally agreed to provide a grant in the amount of \$200,000 per annum for five years beginning in June of 2014 through June 30, 2018 and a grant of \$150,000 for the year ended June 30, 2019. The grant is to be used by EBCPA for raising capital and program funds. As of June 30, 2018 and 2017, the outstanding principal was \$150,000 and \$350,000, respectively.

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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, 2018 and 2017, EBCPA holds a limited liability company interest of 25% in Presidio. For the years ended June 30, 2018 and 2017, operating distributions received from Presidio were \$165,000 and \$75,000, respectively and are included in distribution income on the accompanying statement of activities. The investment in Presidio as of June 30, 2018 and 2017 is summarized as follows:

July 1, 2016 - Investments	\$	-
Capital contributions		2,430,000
Capital distributions, in excess of accumulated earnings		<u>(400,000)</u>
June 30, 2017 - Investments		2,030,000
Capital contributions		-
Capital distributions, in excess of accumulated earnings		<u>(100,000)</u>
June 30, 2018 - Investments	\$	<u><u>1,930,000</u></u>

8. Permanently restricted net assets

EBCPA's permanently restricted net assets as of June 30, 2018 are as follows:

		<u>Permanently Restricted</u>
Endowment net assets, beginning of period	\$	-
Contributions		<u>500,000</u>
Endowment net assets, end of period	\$	<u><u>500,000</u></u>

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, 2018 and 2017, EBCPA contributed \$9,645 and \$8,571, respectively, to the retirement plan.

10. Subsequent events

On August 1, 2018, the City of Richmond extended the maturity date of the bridge loan from June 30, 2018 to June 30, 2019. In addition, the City of Richmond has agreed to provide a grant in the amount of \$150,000 to be used by EBCPA as leverage for raising capital and program funds (see Note 6).

Subsequent events have been evaluated through November 13, 2018, which is the date the financial statements were available to be issued.