

BLUE SKY SUSTAINABLE LIVING CENTER
FINANCIAL STATEMENTS
DECEMBER 31, 2020

BLUE SKY SUSTAINABLE LIVING CENTER

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Accountants' Compilation Report

To the Board of Directors of the
Blue Sky Sustainable Living Center

Management is responsible for the accompanying financial statements of Blue Sky Sustainable Living Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance on these financial statements.

Balance Financial Management
3 W. Carrillo Street, Ste. 208
Santa Barbara, CA 93101

October 4, 2021

BLUE SKY SUSTAINABLE LIVING CENTER

STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS

	Without Donor Restrictions	With Donor Restrictions	2020 Total
CURRENT ASSETS			
Cash and cash equivalents	111,955	\$ 52,255	\$ 164,210
Accounts and contracts receivable	12,777	-	12,777
Pledges receivable, current portion	3,200	14,500	17,700
Inventories	5,126		5,126
Prepaid expenses and deposits	10,368	-	10,368
	143,425	66,755	210,180
NON-CURRENT ASSETS			
Property and equipment, net	1,020,281	-	1,020,281
	1,020,281	-	1,020,281
TOTAL ASSETS	\$ 1,163,707	\$ 66,755	\$ 1,230,462

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Accounts payable	\$ 8,614	\$ -	\$ 8,614
Accrued liabilities	10,121	-	10,121
Other Liabilities	-	-	-
	18,735	-	18,735
TOTAL LIABILITIES	18,735	-	18,735
NET ASSETS			
Without Donor Restrictions	1,144,972		1,135,472
With Donor Restrictions	-	66,755	76,255
	1,144,972	66,755	1,211,727
TOTAL LIABILITIES AND NET ASSETS	\$ 1,163,707	\$ 66,755	\$ 1,230,462

BLUE SKY SUSTAINABLE LIVING CENTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 38,173	\$ 62,420	\$ 100,593
Government Grants	62,565		62,565
Program Income	51,982		51,982
Rental Income	25,927		25,927
Interest and Other Income	11,535		11,535
Gain on Disposal of Equipment	-		-
Net assets released from restrictions	37,838	(37,838)	-
Total Revenue, Gains and Other Support	228,019	24,582	252,601
EXPENSES			
Program Expenses	353,508	-	280,677
Supporting Services			
Management and general	98,095	-	176,067
Fundraising	19,750	-	14,609
Total Expenses	471,353	-	471,353
CHANGE IN NET ASSETS	(243,334)	24,582	(218,752)
NET ASSETS, BEGINNING OF YEAR	1,388,306	42,173	1,430,479
NET ASSETS, END OF YEAR	\$ 1,144,972	\$ 66,755	\$ 1,211,727

BLUE SKY SUSTAINABLE LIVING CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

EXPENSES	Support Services			2020 Total
	Total Program	Management and General	Fundraising	
Salaries and wages	148,766	31,645	10,500	190,911
Payroll taxes and benefits	21,354	4,542	1,507	27,404
Total salaries and benefits	170,120	36,188	12,007	218,315
Insurance	6,991	2,738	489	10,219
Professional Development	3,253			3,253
Office and Other	40,083	12,482	2,112	54,678
Professional Services	31,882	14,946		46,829
Property Taxes		9,809		9,809
Repairs and Maintenance	45,219	5,771	1,915	52,905
Travel and Meetings	3,686	6,440		10,126
Utilities	21,950	3,271	1,085	26,307
Depreciation	30,322	6,450	2,140	38,913
2020 TOTAL				
EXPENSES	<u>\$ 353,508</u>	<u>\$ 98,095</u>	<u>\$ 19,750</u>	<u>\$ 471,353</u>

BLUE SKY SUSTAINABLE LIVING CENTER

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2020

	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (218,752)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	38,913
Loss on disposition of property and equipment	-
(Increase) decrease in:	
Accounts receivable	5,313
Pledges receivable	(17,700)
Inventories	(5,126)
Prepaid expenses and deposits	(10,368)
Other assets	(6,541)
Increase (decrease) in:	
Accounts payable	8,614
Accrued liabilities	10,121
Deferred revenue	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(195,526)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(10,295)
Proceeds from disposition of property and equipment	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(10,295)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(205,821)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>370,031</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 164,210</u>

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Blue Sky Sustainable Living Center (the Organization) was organized as a California corporation in August 2012 under the nonprofit public benefit corporation law for charitable purposes within section 501 (c)(3) of the Internal Revenue Code. The Organization’s mission is to strengthen rural communities within the Cuyama Valley by supporting entrepreneurs and building regional creative and economic resources. The Organization is located in New Cuyama, California, a mid-century company town founded by the Atlantic Richfield Oil Company (ARCO), from an industrial headquarters to now a community-based nonprofit. The Organization is home to 267 acres of land with 24,000 square feet of industrial facilities.

Programs

The Organization has the following program activities:

Economic Development: Tourism Events and Hospitality “Explore Cuyama”

In 2020, our Explore Cuyama hospitality initiative hosted 496 visitors to the Cuyama Valley. The fees we collect and money they spend in the Valley help to invigorate the local economy, employ local residents, and support our non-profit programming. Our industrial space continues to be used to host local creative small businesses that hire locally and receive one-on-one technical assistance to maintain or expand their business.

Economic Development - “Made in Cuyama”

We supported thirteen entrepreneurs in 2020 with a four-month technical assistance program: “Start, Grow, Revive Your Business.” We intended to double that impact with a program facilitated in Spanish but was not able to schedule due to COVID-19. Additionally, our adapted assistance program—namely supporting businesses with securing Paycheck Protection Program Funds, individual loan assistance, and adapted technical assistance—supported the creation of 18 new jobs and retained 17 jobs during 2020.

The Made in Cuyama project focuses on identifying local entrepreneurs and businesses and helping them reach their full potential within our rural communities in the Cuyama Valley. We actively support the development of social ventures that lead to hiring locally, provide job training, and advance social and environmental community initiatives as partners and collaborators. Our team assists with business planning, marketing, connection to financing, commercial space, and manages a shared-use kitchen: the Cuyama Kitchen / La Cocina Cuyama.

Creative Community Engagement

Our Desert Fellowship artist-in-residence program hosted one creative professional in 2020. Over the course of three weeks, Desert Fellows live and work onsite to develop an independent creative project that thoughtfully engages local residents. This work is site-responsive, with an on-site proposal process guided by our staff and informed by the Fellow’s experiences listening and learning from Cuyama Valley communities. Additionally, we received two State of California Arts Council Grants to support our work along with our partner: photographer Noé Montes. Through this

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

partnership, we hosted free photography/creative design workshops for Cuyama residents and youth. This project also allowed us to hire Corbin LaMont of the Office of Virtue to transform the data collected from the 2019 Cuyama Valley Community Survey into beautiful, accessible, and comprehensive infographics. Assets created through this arts focused consulting service will be distributed to community members and stakeholders through BSC’s website, social media platforms, and printed reports in 2021. This project builds Blue Sky Center’s capacity both in communicating more effectively the survey results and by providing templates for infographics for us to create ourselves for future projects.

We also launched our Outpost Studio Program this year. Rather than a residency, this program serves as a retreat for artists in search of space and time to develop creative practices. Outposters can make use of our abundant indoor and outdoor facilities, drawing inspiration from Cuyama and enhancing its creative culture in turn. We hosted two residents in 2020 through this program.

Community Research and Development

In 2020, we completed a years-long research project that became the 2020 Cuyama Valley Community Action Plan. Funded by a federal HUD Section 4 grant from Enterprise Community Partners’ Culture and Creativity Initiative, the development of this Action Plan was achieved through an extensive 18-month public process.

We continue to support the school system through advocacy and direct fundraising, setting up and collecting \$20,394 to support the school breakfast and lunch program—and other school new safety and distanced learning needs—during the pandemic. With long term timelines in mind, we continue to be learning about and contributing to the body of research and resource solicitation for the improvement of quality and access to drinking and irrigation water along with research and coalition building to support projects that seek to bring broadband internet to the Cuyama Valley. With RCAC and a grant from the U.S. Department of Labor, we have been specifically looking to understand the housing needs of Cuyaman farmworkers, collecting new data and developing partnerships with regional housing organizations to bring housing repair and rehabilitation resources to Cuyama in the coming year.

Food and Agriculture: Healthy Food Systems

The Cuyama Valley Victory Organizations project was created and implemented in 2020. With financial support from the Fund for Santa Barbara, the Victory Organizations project utilizes a Organization to-table model to empower families to find food security within their own backyards. With educational and material support, 11 Organizations were installed in 2020. Blue Sky Center’s approach to promoting holistic human flourishing in our community is to continue fortifying what exists within the Valley by identifying local champions and developing resources that establish resiliency. The establishment of a Organizationing “network” model has functioned as an invitation to participants to step into volunteer and leadership roles in the Valley.

Cuyama Valley Food Action Network: Blue Sky Center facilitates a working group of farmers and ranchers who are actively contributing to the creation of a healthy food system in the Cuyama Valley. Building local wealth relies on building capacity of local networks. Through our partnership with Santa Barbara County Food Action Network, our Made in Cuyama team facilitated the creation of

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

five beautiful videos in 2020 telling the story of our Cuyama food system leaders and promoting the products and services unique to the Cuyama Valley.

BLUE SKY VENTURES

Blue Sky Ventures was launched to support and celebrate local farmers who are utilizing climate-appropriate farming practices through direct investment. Cuyama Beverage Company is a proof of concept for Blue Sky Ventures which produces small, batched mead beverages utilizing ingredients sourced from these farmers. This social venture aims to support diversity and inclusivity, triple-bottom-line impact, education and training, and economic development in the Cuyama Valley. In 2020, we invested time in research and development, establishing and growing partnerships with producers, and soliciting and receiving approvals from relevant agencies in order to start this entrepreneurial initiative in 2021.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting following accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Description of Net Assets

The Organization reports information regarding its financial position and activities in two classes of net assets - with donor restrictions and without donor restrictions - based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not subject to donor-imposed time or use restrictions. Net assets without donor restrictions include board designated funds (if any).

With Donor Restrictions

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Net assets with donor restrictions generally include contributions and bequests receivable and planned gifts. When a restriction expires, 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”.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the report period. Actual results could differ from those estimates.

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for research activities. The Organization determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2020, all accounts receivables were considered fully collectible and thus no allowance for uncollectable accounts receivable are reported.

Pledges Receivable

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2020, all pledges receivable are expected to be paid in 2021 and are considered fully collectible.

Inventory

Inventory consists of Cuyama Beverage Company raw materials in production. Inventory is valued at the lower of cost or market, using the average cost method.

Property, Equipment and Depreciation

The Organization records property and equipment additions over \$500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Organization have determined that no long-lived assets were impaired at December 31, 2020.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Government Grants and Contracts

Grants awarded by federal agencies are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met. Excluding pandemic relief funding, U.S. Federal grant revenue totaled \$18,134 for the year ended December 31, 2020.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. \$2,888 of goods were donated and \$13,029 of services were received during the year ended December 31, 2020.

Income Taxes

The Organization is a nonprofit corporation exempt from Federal income taxes under IRC 501 (c) (3) and State income taxes under Revenue and Taxation Code Section 23701 (d), therefore no amounts for income taxes are reflected in the accompanying financial statements. The Organization is not a private foundation for income tax purposes. The Organization is not aware of any transactions that would affect its tax-exempt status.

The Organization evaluates uncertain tax positions, whereby the effect of the uncertainty would be recorded if the outcome was considered probable and reasonably estimable. As of December 31, 2020, the Organization had no uncertain tax positions requiring accrual.

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

Note 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donors, governmental agencies, and foundations supportive of the Organization's mission.

Subsequent Events

The Organization has evaluated subsequent events through August 31, 2021, the date which the financial statements were available to be issued.

Note 2 – INVENTORY

Inventory consists of the following amounts at December 31, 2020:

Cuyama Beverage Company	<u>5,126</u>
Total Inventory	<u>\$ 5,126</u>

Note 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020:

Land	\$482,416
Buildings & improvements	577,124
Machinery and equipment	25,723
Vehicles	<u>55,000</u>
	1,139,993
Less accumulated depreciation	<u>-119,712</u>
Net property and equipment	<u>\$1,020,281</u>

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

For the year ending December 31, 2020, the Organization recognized depreciation expense of \$38,913.

Note 4 – NOTES RECEIVABLE

The Organization provided numerous Quick Response Loans to community individuals to assist with the impact of the Pandemic. Each recipient signed an unsecured promissory note at an interest rate of 0%.

At December 31, 2020, the Organization held a receivable balance of \$6,541. At December 31, 2020, all note receivables are expected to be paid in 2021 and are considered fully collectible.

Note 5 – FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort. Directly identifiable expense are charged to programs and supporting services.

Note 6 – CONCENTRATION OF RISK

Credit Risk

The Organization maintains cash balances at two financial institutions. The standard Federal Deposit Insurance Corporation (FDIC) insurance coverage amount is \$250,000 per depositor and per bank institution for interest-bearing accounts. At times throughout the year the Organization maintains balances in excess of the FDIC insured amount.

Geographic Risk

The Organization's primary donor base and members are located in Santa Barbara County, California.

Note 7 – NET ASSETS

As of December 31, 2020, net assets with and without donor restrictions consists of the following:

Net Assets Without Donor Restrictions	1,144,972
Net Assets With Donor Restrictions – Temporary in Nature	<u>66,755</u>
Total Net Assets	\$1,211,727

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

Note 8 – SBA LOAN UNDER PAYCHECK PROTECTION PROGRAM

On April 15, 2020, the Organization received loan funding of \$27,681.29 under the Paycheck Protection Program as allowed under the CARES Tax Act, related to the 2020 COVID-19 pandemic. The loan allows for the loan proceeds to be used on allowable costs for the Organization.

The loan was fully forgiven on November 18, 2020.

Note 9 – SUBSEQUENT EVENTS

The Organization has evaluated the impact of subsequent events on these financial statements, including disclosures, through October 4, 2021, the date the financial statements were available to be issued.