

BLUE SKY SUSTAINABLE LIVING CENTER
FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, 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. 212
Santa Barbara, CA 93101

September 30, 2022

BLUE SKY SUSTAINABLE LIVING CENTER

STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>2021 Total</u>
CURRENT ASSETS				
Cash and cash equivalents	69,346	\$ 64,037	\$	133,383
Accounts and contracts receivable	20,038		\$	20,038
Pledges receivable, current portion	-		\$	-
Inventories	13,789		\$	13,789
Prepaid expenses and deposits	<u>3,112</u>	<u>-</u>		<u>3,112</u>
 Total Current Assets	 <u>106,284</u>	 <u>64,037</u>		 <u>170,322</u>
NON-CURRENT ASSETS				
Property and equipment, net	<u>991,092</u>	<u>-</u>		<u>991,092</u>
 Total Non-Current Assets	 <u>991,092</u>	 <u>-</u>		 <u>991,092</u>
 TOTAL ASSETS	 <u>\$ 1,097,377</u>	 <u>\$ 64,037</u>	 <u>\$</u>	 <u>1,161,414</u>
 LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 468	\$ -	\$	468
Accrued liabilities	5,378	-	\$	5,378
Loans Payable	24,750			
Other Liabilities	<u>8,420</u>	<u>-</u>		<u>8,420</u>
 Total Current Liabilities	 <u>39,015</u>	 <u>-</u>		 <u>14,265</u>
 TOTAL LIABILITIES	 <u>39,015</u>	 <u>-</u>		 <u>14,265</u>
 NET ASSETS				
Without Donor Restrictions	1,058,362		\$	1,058,362
With Donor Restrictions	<u>-</u>	<u>64,037</u>		<u>64,037</u>
 Total Net Assets	 <u>1,058,362</u>	 <u>64,037</u>		 <u>1,122,399</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,097,377</u>	 <u>\$ 64,037</u>	 <u>\$</u>	 <u>1,161,414</u>

BLUE SKY SUSTAINABLE LIVING CENTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 78,144	\$ 43,335	121,479
Government Grants	101,269		101,269
Program Income	46,124		46,124
Cuyama Beverage Sales (net of costs)	15,504		15,504
Rental Income	36,338		36,338
Interest and Other Income	17,565		17,565
Gain on Disposal of Equipment			
Net assets released from restrictions	<u>46,052</u>	<u>(46,052)</u>	<u>-</u>
Total Revenue, Gains and Other Support	<u>340,997</u>	<u>(2,718)</u>	<u>338,279</u>
EXPENSES			
Program Expenses	<u>337,062</u>		<u>337,062</u>
Supporting Services			
Management and general	67,873		67,873
Fundraising	<u>22,671</u>		<u>22,671</u>
Total Expenses	<u>427,607</u>		<u>427,607</u>
CHANGE IN NET ASSETS	(86,610)	(2,718)	(89,328)
NET ASSETS, BEGINNING OF YEAR	<u>1,144,972</u>	<u>66,755</u>	<u>1,211,727</u>
NET ASSETS, END OF YEAR	<u>\$ 1,058,362</u>	<u>\$ 64,037</u>	<u>\$ 1,122,399</u>

BLUE SKY SUSTAINABLE LIVING CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

EXPENSES	<u>Total Program</u>	<u>Support Services</u> Management and <u>General</u>	<u>Fundraising</u>	<u>2021 Total</u>
Salaries and wages	143,301	20,889	12,592	176,782
Payroll taxes and benefits	<u>22,991</u>	<u>3,351</u>	<u>2,020</u>	<u>28,363</u>
Total salaries and benefits	166,292	24,240	14,613	205,145
Insurance	10,934	2,806	954	14,693
Office and Other	33,930	7,327	1,423	42,680
Professional Services	58,555	9,113		67,668
Property Taxes		10,006		10,006
Facilities, Repairs and Maint.	28,098	4,096	2,469	34,663
Travel and Meetings	2,685	4,956		7,641
Utilities	7,601	1,108	668	9,377
Depreciation	<u>28,967</u>	<u>4,222</u>	<u>2,545</u>	<u>35,734</u>
2021 TOTAL EXPENSES	<u>\$ 337,062</u>	<u>\$ 67,873</u>	<u>\$ 22,671</u>	<u>\$ 427,607</u>

BLUE SKY SUSTAINABLE LIVING CENTER

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2021

	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (89,328)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	35,734
Loss on disposition of property and equipment	-
(Increase) decrease in:	
Accounts receivable	(13,802)
Pledges receivable	17,700
Inventories	(8,663)
Prepaid expenses and deposits	7,256
Other assets	6,541
Increase (decrease) in:	
Accounts payable	468
Accrued liabilities	(13,357)
Deferred revenue	<u>8,420</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(49,032)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(6,545)
Proceeds from disposition of property and equipment	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(6,545)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term debt	24,750
Payments on long-term debt	-
Net proceeds from short-term debt	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>24,750</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,828)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>164,210</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 133,382</u></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 2021, our Explore Cuyama hospitality initiative hosted 596 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”

Through our Made in Cuyama initiative, we actively support the development of social ventures that hire 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 commercial kitchen: Cuyama Kitchen/La Cocina Cuyama. In 2021 our team provided direct assistance to 22 Cuyama entrepreneurs, supporting the expansion of two local businesses and one new business in our Blue Sky Shops. Despite the economic fallouts of the ongoing pandemic, these efforts have supported 13 local jobs in 2021 and have built wealth throughout our community. Our Community Coordinator, Ali, spent this year adapting our entrepreneurial training program, “Start, Grow, Revive Your Business,” into Spanish (Tareas de Negocios) with a focus on culinary entrepreneurship.

Creative Community Engagement

With the help of many artists, we spent this second pandemic year continuing to address Cuyama’s most pressing concerns, resulting in some beautiful publications. Despite pandemic-imposed limitations on gatherings and celebrations, 2021 presented surprising, powerful opportunities for sustenance in our creative community engagement efforts. Through support from California Arts Council’s Artists in Communities grant program, we were able to continue hosting photographer and conversationalist Noé Montes as a long-term artist-in-residence. Since 2016 we have partnered with our friend to document life in Cuyama; this year Noé captured the state of our community through interviews, portraits, and a process of mural making with middle school students. Mr. Russ Barnes was a key member of this team, providing class time and direction, while Eloy Flores assisted with the

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

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

mural layout; our Production Manager Sam Ihrig worked with the students to paint the final mural that they had designed. In October we celebrated the work of Noé and his community collaborators with a publication and parade. "Cuyama Sun / Cuyama Moon" is a special-edition newspaper that shares reflections of our valley and captures Cuyaman creativity. It encompasses photographs, speculative fiction, illustrated data, local resident profiles, and community voices on the impact of COVID-19. Designed by Corbin LaMont of the Office of Virtue, the newsprint included work supported by California Arts Council's Organizational Development Grant. Corbin worked with our data team to represent the results of the Cuyama Valley Community Survey, which continues to support and direct our broader work. By taking data from spreadsheets to infographics, we have been able to create reports focused on specific locally relevant topics: housing, schools, and food, to start. Through "one-sheets," stickers, and postcards, we are reporting out the results of the survey, presenting back the information so graciously shared with us by our neighbors. We believe that this data—once back in the hands of Cuyamans—can empower direct action. And we can see it working!

Community Research and Development

Through collaboration and resources provided by Cuyama stakeholders, we are pursuing the calls to action laid out by the Community Action Plan. Throughout 2021 we have facilitated the "working groups" that the Community Action Plan process helped coalesce: the Cuyama Valley Food Action Network, a rural broadband task force seeking to bring fiber Internet to Cuyama, a housing-focused group researching farmworker-specific housing opportunities, and a Townsites Beautification and Wayfinding Working Group. The latter group has been developing designs to utilize new funding from Caltrans (the state highway department), which is awarding \$1 million to Cuyama to improve the roadside along Highway 166. The working group has proposed planting a series of palo verde trees, installing benches and landscape viewfinders, and producing wayfinding signs to direct visitors to local businesses and recreation sites. Plans are underway for this project to be completed by Caltrans in 2022.

Food and Agriculture: Healthy Food Systems

Cuyama Valley Victory Gardens: In 2020 and 2021, our team implemented the Cuyama Valley Victory Gardens Project to confront immediate issues of food access in the Cuyama Valley during COVID-19. Santa Barbara-area foundation funds enabled our organization to install raised bed gardens and supply planter materials, seeds, and starter plants, as well as implement bilingual curricula now serving 150 individuals in the Valley. This project has created a supportive network for participating families that helped ensure the success of each family's garden and provide a sense of community during the onset of the pandemic. We hosted five small gatherings to learn together about food preservation and entrepreneurship as well as created a community recipe book to share the diverse cultural identities of families in Cuyama, "Sabores del Valle CUYAMA Tastes of the Valley."

Cuyama Valley Food Action Network: For five years, Blue Sky Center has facilitated a working group of farmers and ranchers actively contributing to the creation of a healthy food system in the Cuyama Valley. The Cuyama Valley Food Action Network develops an equitable, engaging, and resilient food system via collaboration, resource sharing, and educational opportunities available both within the Valley and throughout Santa Barbara County. In 2021 our team facilitated this working group to co-market products, enhance strategic planning in our region, and collaboratively advocate to the county for zoning ordinances that support our small and midsize farms. We also welcomed four new members to the group, representing 11 total local food and farming businesses, to now include beginning farmers!

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

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

BLUE SKY VENTURES

This year our pilot project, Cuyama Beverage Company, manufactured and distributed craft session mead (naturally fermented honey wine) to directly invest in small farmers and climate-appropriate products cultivated in the Cuyama Valley. The goal of our Blue Sky Ventures initiative is to create a sustainable local economy fueled by a thriving local food system. Our minimal viable product is a wealth generating incentive for farmers who care for the Cuyama Valley to stay here. Sage Honey Session Mead was our debut product, made with 100% pure and raw local honey cultivated by our founding partner Alisha Taff of Rock Front Ranch. We followed this in June with the release of Jujube Session Mead, incorporating an additional Rock Front Ranch product: jujubes. The continued growth of Cuyama Beverage Company initiative prioritizes partnerships that advance the resiliency of our local food system.

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, 2021, 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, 2021, there were no uncollected pledges.

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, 2021.

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 \$24,367 for the year ended December 31, 2021.

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. \$7,452 of goods were donated and \$6,225 of services were received during the year ended December 31, 2021.

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, 2021, 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.

Note 2 – INVENTORY

Inventory consists of the following amounts at December 31, 2021:

Cuyama Beverage Company	<u>13,789</u>
Total Inventory	<u>\$13,789</u>

Note 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021:

Land	\$482,416
Buildings & improvements	577,124
Machinery and equipment	32,268
Vehicles	<u>55,000</u>
	1,146,539
Less accumulated depreciation	<u>-155,447</u>
Net property and equipment	<u>\$991,092</u>

For the year ending December 31, 2021, the Organization recognized depreciation expense of \$35,734.

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

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, 2021, the Organization held a receivable balance of \$0. All note receivables were fully collected in 2021.

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	1,058,362
Net Assets With Donor Restrictions – Temporary in Nature	<u>64,037</u>
Total Net Assets	\$1,122,399

BLUE SKY SUSTAINABLE LIVING CENTER

NOTES TO FINANCIAL STATEMENTS

Note 8 – SBA LOAN UNDER PAYCHECK PROTECTION PROGRAM

On February 11, 2021 the Organization received loan funding of \$39,881.35 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 August 30, 2021.

Note 9 – SUBSEQUENT EVENTS

The Organization has evaluated the impact of subsequent events on these financial statements, including disclosures, through September 30, 2022, the date the financial statements were available to be issued.