



BLUE SKY SUSTAINABLE LIVING CENTER  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022

BLUE SKY SUSTAINABLE LIVING CENTER

BLUE SKY SUSTAINABLE LIVING CENTER

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**Accountants' Compilation Report**

To the Board of Directors of  
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, 2022, and the related statements of activities, functional expenses, 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 financial statements, nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require right of use leases to be recognized on the Statement of Financial Position. Management has elected to record operating lease expense as a current expense in the Statement of Activities.

*Balance Financial Management*

Santa Barbara, California  
July 31, 2023

# BLUE SKY SUSTAINABLE LIVING CENTER

## STATEMENT OF FINANCIAL POSITION

December 31, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2022 <u>Total</u>	Memo 2021 <u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 32,468	\$ 121,596	\$ 154,064	\$ 133,382
Accounts and contracts receivable	25,962		25,962	20,038
Pledges receivable, current portion	-		-	-
Inventories	22,674		22,674	13,789
Prepaid expenses and deposits	<u>4,675</u>	-	<u>4,675</u>	<u>3,112</u>
<b>Total Current Assets</b>	<b><u>85,780</u></b>	<b><u>121,596</u></b>	<b><u>207,375</u></b>	<b><u>170,322</u></b>
<b>NON-CURRENT ASSETS</b>				
Property and equipment, net	<u>963,633</u>	-	<u>963,633</u>	<u>991,092</u>
<b>Total Non-Current Assets</b>	<b><u>963,633</u></b>	<b>-</b>	<b><u>963,633</u></b>	<b><u>991,092</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,049,413</u></b>	<b><u>\$ 121,596</u></b>	<b><u>\$ 1,171,008</u></b>	<b><u>\$ 1,161,414</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 2,912	-	\$ 2,912	\$ 468
Accrued liabilities	7,828	-	7,828	5,378
Loans Payable	-	-	-	24,750
Other Liabilities	<u>7,970</u>	-	<u>7,970</u>	<u>8,420</u>
<b>Total Current Liabilities</b>	<b><u>18,710</u></b>	<b>-</b>	<b><u>18,710</u></b>	<b><u>39,015</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>18,710</u></b>	<b>-</b>	<b><u>18,710</u></b>	<b><u>39,015</u></b>
<b>NET ASSETS</b>				
Without Donor Restrictions	1,030,703		1,030,703	1,058,362
With Donor Restrictions	-	<u>121,596</u>	<u>121,596</u>	<u>64,037</u>
<b>Total Net Assets</b>	<b><u>1,030,703</u></b>	<b><u>121,596</u></b>	<b><u>1,152,300</u></b>	<b><u>1,122,399</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,049,413</u></b>	<b><u>\$ 120,638</u></b>	<b><u>\$ 1,171,008</u></b>	<b><u>\$ 1,161,414</u></b>

## BLUE SKY SUSTAINABLE LIVING CENTER

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2022 <u>Total</u>	2021 <u>Total</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Contributions and grants	\$497,879	\$97,147	\$595,026	121,479
Government Grants	67,694	18,855	86,549	101,269
Program Income	60,270		60,270	46,124
Cuyama Beverage Sales (net of costs)	11,218		11,218	15,504
Rental Income	78,965		78,965	36,338
Interest and Other Income	9,265		9,265	17,565
Gain on Extinguishment of Debt	25,420		25,420	-
Net assets released from restrictions	<u>58,443</u>	<u>(58,443)</u>	=	=
Total Revenue, Gains and Other Support	<u>809,155</u>	<u>57,559</u>	<u>866,714</u>	<u>338,279</u>
<b>EXPENSES</b>				
Program Expenses	691,093	-	691,093	337,062
Supporting Services				
Management and general	128,627	-	128,627	67,873
Fundraising	<u>17,094</u>	=	<u>17,094</u>	<u>22,671</u>
Total Expenses	<u>836,813</u>	=	<u>836,813</u>	<u>427,607</u>
<b>CHANGE IN NET ASSETS</b>	<b>(27,658)</b>	<b>57,559</b>	<b>29,901</b>	<b>(89,328)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,058,362</u>	<u>64,037</u>	<u>1,122,399</u>	<u>1,211,727</u>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 1,030,703</u></b>	<b><u>\$ 121,596</u></b>	<b><u>\$ 1,152,300</u></b>	<b><u>\$ 1,122,399</u></b>

# BLUE SKY SUSTAINABLE LIVING CENTER

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

EXPENSES	Support Services				
	Total	Management and			2022
	<u>Program</u>	<u>General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and wages	\$ 109,220	\$ 49,088	\$ 7,703	\$ 166,011	\$ 176,782
Payroll taxes and benefits	<u>16,821</u>	<u>7,560</u>	<u>1,186</u>	<u>25,567</u>	<u>28,363</u>
Total salaries and benefits	126,041	56,648	8,889	191,578	205,145
Insurance	941	4,969	60	5,971	14,693
Office and Other	31,546	2,344	3,391	37,280	42,680
Professional Services	457,108	23,276	-	480,383	67,668
Property Taxes	-	35	-	35	10,006
Facilities, Repairs and Maint.	19,845	8,919	1,400	30,164	34,663
Travel and Meetings	8,065	11,066	-	19,132	7,641
Utilities	23,276	10,461	1,642	35,379	9,377
Depreciation	<u>24,271</u>	<u>10,908</u>	<u>1,712</u>	<u>36,891</u>	<u>35,734</u>
<b>2022 TOTAL EXPENSES</b>	<b><u>\$ 691,093</u></b>	<b><u>\$ 128,627</u></b>	<b><u>\$ 17,094</u></b>	<b><u>\$ 836,813</u></b>	<b><u>\$ 427,607</u></b>

# BLUE SKY SUSTAINABLE LIVING CENTER

## STATEMENT OF CASH FLOWS For the Year Ended December 31, 2022

	2022	Memo 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 29,901	\$ (89,328)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	36,891	35,734
Loss on disposition of property and equipment	-	-
(Increase) decrease in:		
Accounts receivable	(5,924)	(13,802)
Pledges receivable	-	17,700
Inventories	(8,885)	(8,663)
Prepaid expenses and deposits	(1,563)	7,256
Other assets		6,541
Increase (decrease) in:		
Accounts payable	2,444	468
Accrued liabilities	2,450	(13,357)
Deferred revenue	<u>(450)</u>	<u>8,420</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>54,864</u>	<u>(49,032)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(9,433)	(6,545)
Proceeds from disposition of property and equipment	-	
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(9,433)</u>	<u>(6,545)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	-	24,750
Forgiveness of long-term debt	(24,750)	-
Net proceeds from short-term debt	<u>-</u>	<u>-</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>(24,750)</u>	<u>24,750</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	20,681	(30,828)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>133,382</u>	<u>164,210</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 154,063</u>	<u>\$133,382</u>

# BLUE SKY SUSTAINABLE LIVING CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – PRINCIPAL ACTIVITIES

#### Organization

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 in New Cuyama, California, a mid-century company town founded by the Atlantic Richfield Oil Company (ARCO), from an industrial headquarters to a community-based nonprofit. The Organization is home to 267 acres of land with 24,000 square feet of industrial facilities.

#### Program Activities

##### Economic Development

##### **“Explore Cuyama”**

As the pandemic moves into our rearview mirror, we find ourselves with the opportunity to relax, to breathe, to simply BE. For many of us, it’s a relearning of what we have lost to the years of stress. As one visitor to Blue Sky recounted, the camp is a place where we can “relearn how to live simple.” Most of our visitors come from Los Angeles and other populated coastal cities, where “nature deficit disorder” can reach epidemic proportions. Much of the anxiety is relieved with stargazing, the quiet buzz of a hummingbird’s wings, or the smell of wet dirt after a desert rain. These charms are free! And yet they are becoming unattainable for many. Our lodging here is not just for selfies—though we do encourage that—it’s also about reconnection with the good earth around us. Over the course of 2022 we hosted 816 overnight visitors on our property: 375 campers in our six huts, 68 guests in our Flagship Suites, and 373 in our three dispersed camping tent platforms (soon to be eight in 2023!)

##### **“Made in Cuyama”**

Prior to the pandemic, Blue Sky Center implemented the “Start, Grow, Revive Your Business” curriculum as part of Rural Community Assistance Corporation’s Building Rural Economies initiative. Nine Cuyama Valley businesses graduated in 2020 from the program, which taught essential skills to increase wealth for our local entrepreneurs and stimulated a healthy business network in our community. In 2021 members of the Cuyama Valley Victory Garden Network supported Ali—our Community Coordinator—and Sandra—our Land Steward—in redesigning the curriculum for cottage food industries, while fully translating the curriculum into Spanish to serve our larger community! This work could not have happened without the support of our Líderes Jardines (our Garden Leaders) who contributed to the redesign of the curriculum. One of our core values is to build wealth in every aspect of our work, so we ensure that workshop leaders as well as peer mentors are paid for their time. In the summer of 2022, another seven entrepreneurs completed our new and improved Talleres de Negocios, which we called “Cocinando un Negocio,” or “Cooking Up a Business,” as the local entrepreneurs were focused on learning the marketing skills, licensing and legal requirements, and competitive advantages for developing home-based food businesses into family wealth-generating enterprises.



## BLUE SKY SUSTAINABLE LIVING CENTER

### NOTES TO FINANCIAL STATEMENTS

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

At the Blue Sky Center property, we continue to host local craftspeople in the “Blue Sky Shops.” We provide space to work and one-on-one technical assistance for sustaining and growing their unique businesses.

#### Creative Community Engagement

##### **“Superbloom”**

Late in 2021 we responded to a request for proposals from the CDC Foundation, which seeks collaboration between the CDC and organizations to improve health outcomes across the world. Public health agencies partnered with local arts organizations and artists to develop both timely messaging—regarding COVID and vaccination—and to develop the capacity of local organizations as trusted sources for critical information. As one of just 30 organizations in the U.S. awarded a grant, Cuyama’s Vecino-a-Vecino (Neighbor-to-Neighbor) over the course of six months included 39 artist-led engagement opportunities: interviews, story circles, workshops in the schools and church as well as at Blue Sky, recording sessions, rehearsals, and the final performance.

Through these all-ages activities, a total of 377 Cuyamans attended and participated, representing 34% of the total Cuyama population! The final headline event was held In May 2022, where the Cuyama Valley was the stage for a community play about Cuyama, by Cuyamans, for Cuyamans, called “Superbloom: A Story from a Time Without Flowers.” Set in a slightly altered Cuyama reality, this community play explores our connection to our neighbors in divisive times and how we find hope in times of tension. Superbloom follows Mariflor, a Cuyama resident, as she and her community navigate the realities of a flowerless Cuyama Valley. One day before school, Mariflor couldn’t believe her eyes when she sees the first flower after a years-long shortage that’s caused Cuyama residents to stop seeing color. When she tries to tell her classmates and teacher, no one believes her. Seeking connection, community, and color, Mariflor must reignite hope in her community and family.

This production is credited to the 35 Cuyamans who served as Superbloom’s cast and crew, contributing a total of 831 hours! This creative community engagement work that empowered so many residents could not have been possible without our Co-Creators as well as the leadership and creative vision of our artists. All told, the following artists contributed 637 hours in their artistic roles. See more photos, read the full script, or watch the Superbloom play at [blueskycenter.org/superbloom](http://blueskycenter.org/superbloom).

##### **“Día de los Muertos”**

Blue Sky Center established the Cuyama Valley’s annual Día de los Muertos celebration in 2016, in honor of its cultural significance to many residents of our community. Each year we work closely with the teachers and students of our local youth groups to pre-determine activities and other elements of the celebration. This year we received a Quick Grant from California Humanities, a nonprofit partner of the National Endowment of the Humanities, for our Día de los Muertos community event.

We worked with our regional neighbors Corazón del Pueblo, an arts and culture non-profit, and writer Samuel Duarte to work with the youth groups. Leading up to the Día de los Muertos community event, Duarte led a series of workshops with students to learn about Día de los Muertos, create a communal altar, and create a collective poem remembering lost loved ones. During the Día de los Muertos event, several students from the youth groups read aloud the collective poem to event attendees. The

## BLUE SKY SUSTAINABLE LIVING CENTER

### NOTES TO FINANCIAL STATEMENTS

communal altar the students made was also showcased. Other event activities for attendees included opportunities to create paper flower crowns, face painting, and interactive altars where 94 attendees were invited to contribute offerings.

#### Community Research and Development

##### **“Event Feasibility Study and Community Beautification”**

In February 2022, we published the Cuyama Valley Event Feasibility Study to help steer events toward supporting residents, businesses, and community organizations in genuine ways, supporting the Cuyama Valley economy by bringing in outside dollars. Be it anniversaries, birthday parties reserving our six huts, company retreats booking our dorms and meeting spaces, or weddings of up to 110 people, we’re able to welcome a variety of people to our desert oasis. We’re proud to say that in 2022, we hosted 16 private events with a total of 568 attendees.

When Caltrans called us to see if Cuyama was interested in receiving funding for a Highway 166 roadside beautification project, their stipulations for having a meeting to discuss the opportunity was that we one, had a group of residents engaged in beautification efforts, and two, had a plan in place. Thanks to the Cuyama Valley Community Action Plan and the Townsites Beautification & Wayfinding Working Group, we were in fact “resource ready”!

Over 2022, Blue Sky Center facilitated the Working Group to develop a detailed beautification plan with Caltrans that includes planting a series of palo verde trees, installing benches and landscape viewfinders, and producing orienting display signs directed at visitors to introduce the Native history, local economy, and natural bounty of the area. In December 2022, the Working Group coordinated with residents to host a free Dump Day, resulting in 19,980 pounds of trash and excess household equipment removed from Cuyama and recycled. Locals of all ages assisted in promoting the event and hauling trash from houses that scheduled free pick-ups from their yards across the Cuyama Valley.

#### Food and Agriculture: Healthy Food Systems

In the spring of 2020, Blue Sky Center implemented the Cuyama Valley Victory Gardens Project to confront immediate issues of food access in the Cuyama Valley during COVID-19. Funding enabled our organization to install raised bed gardens, supply planter materials, seeds, and starter plants, as well as implement bilingual curricula. Nearing the third year of Victory Gardens, we now serve 37 families. This project creates a supportive peer-to-peer network of 30 Latina leaders meeting monthly that facilitates information sharing, ensuring the success of each family’s garden while providing a sense of community. This year Victory Gardens hosted a number of workshops, including cabbage fermentation, nopales canning, bread-making, and garlic planting. All workshops were provided for free to Cuyamans.

#### Economic Development & Food Systems

##### **“Cuyama Beverage Co.”**

Our Cuyama Beverage Company is cultivated by our community—not extracted from it. Our Jujube and Desert Sage meads are made from local honey in the Cuyama Valley and nurtured through water-smart agriculture in our region. We’re passionate about creating unique, small-batch beverages because our success means the success of our local farmers and producers. From this promise the Cuyama

## BLUE SKY SUSTAINABLE LIVING CENTER

### NOTES TO FINANCIAL STATEMENTS

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

Beverage Company was established. Now in our second year, we hosted Sunset Sips at Blue Sky Center, featuring a two-flavor tasting of our Cuyama Beverage Company champagne-style meads along with other sustainable products in the Cuyama Valley: Rock Front Ranch honey and jujubes, Santa Barbara Pistachios' flavored nuts, and Santa Barbara Cheese Company's varieties made from Cuyama Dairy's cows.

#### Economic Development & Community Resiliency

##### **“L88 Airstrip Resurfacing”**

After months of closure for a full airstrip resurfacing project, Cuyama's beloved L88 airstrip officially reopened on October 13, 2022, with a ribbon cutting ceremony! We at Blue Sky Center manage and maintain the community airstrip, which is critical to emergency support for Cuyama communities. It also serves to support local farming operations and as a portal for flying in visitors. L88 has gained widespread appeal as a go-to airport for computer simulator training!

The airstrip was resurfaced over the summer, allowing for its permit to be reinstated in October 2022. A ribbon cutting was hosted on October 13th at the airstrip featuring First District representatives from the County of Santa Barbara, airport commissioners from the County of San Luis Obispo, and 80 supporters from both the local communities as well as regional aviation enthusiasts. The Cuyama Buckhorn sponsored a meal and accommodations for the L88 volunteers who worked tirelessly over the summer to ensure that the project was completed on time. On November 12th, 15 kids from the Cuyama Valley received free Young Eagle introductory flights at L88.

#### Note 2 - SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with 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 activities into two net asset categories - 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 and are the portion of expendable funds available to support general operations. Net assets without donor restrictions include board designated funds (if any).

## BLUE SKY SUSTAINABLE LIVING CENTER

### NOTES TO FINANCIAL STATEMENTS

#### Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *With Donor Restrictions:*

Net assets with donor restrictions represent net assets that are subject to donor-imposed time or use restrictions. Restrictions that are temporary, when they are expected to expire with the passage of time or be satisfied and removed by actions of the Organization that fulfill donor stipulations. 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”. The Organization has not received any net assets that are perpetual in nature and must therefore be maintained in perpetuity.

##### Cash and Cash Equivalents

The Organization considers all cash in banks, cash on hand, and cash in money market funds 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.

##### Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for rentals and contract reimbursements. The Organization determines the allowance for uncollectable amounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable. At December 31, 2022, all accounts receivable were considered fully collectible and thus no allowance for doubtful accounts is reported in these financial statements.

##### 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, 2022, 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 and Equipment

The Organization records property and equipment additions over \$500 and a useful life of more than one year at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the

## BLUE SKY SUSTAINABLE LIVING CENTER

### NOTES TO FINANCIAL STATEMENTS

#### Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed in the current period.

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 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 has determined that no long-lived assets were impaired at December 31, 2022.

#### Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses and deposits, and liabilities approximates fair value because of the short-term nature of these items. No investments or discounted long-term assets or liabilities are recorded.

#### 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. U.S. Federal grant revenue totaled \$63,325 for the year ended December 31, 2022.

#### Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, 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, which require a specialized skill and are recognized as in-kind

## BLUE SKY SUSTAINABLE LIVING CENTER

### NOTES TO FINANCIAL STATEMENTS

#### Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

contributions under generally accepted accounting principles, are recognized as in-kind contributions at the respective fair values of the services received.

#### Tax Exempt Status

The Organization is a nonprofit corporation exempt from taxes on income under Internal Revenue Code section 501(c)(3) and California 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, 2022, the Organization had no uncertain tax positions requiring accrual.

#### 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 and disclosures. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the reported as of the date of the financial statements, and the reported amounts of revenues and expenses during the report period. Significant estimates used in preparing these financial statements include:

- Depreciable lives and the estimated residual value of fixed assets
- Allocation of expenses among functions
- Valuation of in-kind contributions

Actual results could differ from these estimates.

#### Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class in the Statement of Activities or by function in the Statement of Functional Expenses. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

#### Functional Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. The costs of program and supporting services activities are summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Expenses that are associated

# BLUE SKY SUSTAINABLE LIVING CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

with more than one program or supporting service are allocated based on time spent in various functions as estimated by the Organization's management.

#### 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 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 3 – INVENTORY

Inventory consists of the following amounts at December 31, 2022:

Cuyama Beverage Company	<u>22,674</u>
Total Inventory	<u>\$22,674</u>

### Note 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

Land	\$482,416
Buildings & improvements	581,317
Machinery and equipment	37,509
Vehicles	<u>55,000</u>
	1,146,539
Less accumulated depreciation	<u>-192,338</u>
Net property and equipment	<u>\$963,633</u>

For the year ending December 31, 2022, the Organization recognized depreciation expense of \$35,734.

### Note 5 – IN KIND CONTRIBUTIONS

During the year ending December 31, 2022, the Organization received in kind contributions as follows:

Professional Services	\$ 2,293
Supplies	<u>2,221</u>
Total In Kind Contributions	<u>\$ 4,514</u>

**BLUE SKY SUSTAINABLE LIVING CENTER**

**NOTES TO FINANCIAL STATEMENTS**

**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 in Santa Barbara County, California.

**Note 7 – NET ASSETS**

As of December 31, 2022, net assets with and without donor restrictions consists of the following:

Net Assets Without Donor Restrictions	\$ 1,030,703
Net Assets With Donor Restrictions – Temporary in Nature	<u>121,596</u>
Total Net Assets	\$ 1,152,300

**Note 8 – FORGIVEN LOAN**

On December 1, 2021, the Organization received loan funding of \$25,000 from the Rural Community Assistance Corporation. The loan allows for the loan proceeds to be used for business recovery from the effects of COVID-19. Deferred interest of approximately \$420 was forgiven in addition to the entire loan principal on June 22, 2022.

**Note 9 – LEASES**

The Organization rents a mobile home, “the Farmhouse”, under a noncancelable lease. The agreement has a base rent of \$1000 per month, and the lease expires August 31, 2023.

Minimum annual lease commitment for 2023 under the agreement is \$8000.

**Note 15 – COMMITMENTS AND CONTINGENCIES**

The Organization receives funds from several contracts with various federal and state government agencies. These contracts are typically subject to audit by the corresponding oversight agency as to allowable costs paid with federal and/or state funds and as to the share of costs contributed by the Organization. The Organization could be liable for disallowed costs for federal or state funds expensed for current and prior years, should costs to the projects be disallowed.



# BLUE SKY SUSTAINABLE LIVING CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 16 – LIQUIDITY

Financial assets available to meet cash needs for general expenditure for the following year are comprised of current assets, adjusted for amounts unavailable due to illiquidity, restrictions, and current liabilities payable to vendors.

Financial assets available to meet cash needs for general expenditures within one year of December 31, 2022:

Current Assets	
Cash and cash equivalents available within one year	\$ 154,064
Accounts and contracts receivable	25,962
Total Current Assets	<u>180,026</u>
Current Liabilities	<u>(18,710)</u>
Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2022	161,316

### Note 17 – SUBSEQUENT EVENTS

Management has evaluated the impact of subsequent events on these financial statements, including disclosures, through July 27, 2023, the date the financial statements were available to be issued pending final approval by the Board.