BLUE SKY SUSTAINABLE LIVING CENTER, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2019

BLUE SKY SUSTAINABLE LIVING CENTER, INC

Year Ended December 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO THE BOARD OF DIRECTORS OF
BLUE SKY SUSTAINABLE LIVING CENTER, INC.
NEW CUYAMA, CA

We have reviewed the accompanying financial statements of Blue Sky Sustainable Living Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis of reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Clarence De Ramos, CPA

Danville, California
October 9, 2020

BLUE SKY SUSTAINABLE LIVING CENTER, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS		2019
CURRENT ASSETS		
Cash and cash equivalents	$	370,032
Accounts Receivable		11,548
TOTAL CURRENT ASSETS		381,580
PROPERTY AND EQUIPMENT, NET		1,048,899
TOTAL ASSETS	$	1,430,479
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$	-
Accrued Expenses		-
TOTAL CURRENT LIABILITIES		-
NET ASSETS		
Without Donor Restrictions		1,388,306
With Donor Restrictions		42,173
TOTAL NET ASSETS		1,430,479
TOTAL LIABILITIES AND NET ASSETS	$	1,430,479

BLUE SKY SUSTAINABLE LIVING CENTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Total
SUPPORT AND REVENUE			
Contributions	$ 6,565	$ 103	$ 6,668
Grants	290	54,440	54,730
Governmental Grants	51,660	-	51,660
Program Income	76,007	-	76,007
Rental Income	10,000	-	10,000
Interest and Other Income	2,683	-	2,683
Gain on Disposal of Property and Equipment	223,490	-	223,490
Net Assets Released from Restrictions	46,093	(46,093)	-
TOTAL SUPPORT AND REVENUE	416,788	8,450	425,238
EXPENSES			
Program Services	349,459	-	349,459
Support Services	124,715	-	124,715
TOTAL EXPENSES	474,174	-	474,174
CHANGE IN NET ASSETS	(57,386)	8,450	(48,936)
NET ASSETS, BEGINNING OF YEAR	1,445,692	33,723	1,479,415
NET ASSETS, END OF YEAR	$ 1,388,306	$ 42,173	$ 1,430,479

BLUE SKY SUSTAINABLE LIVING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

		Support Services		
	Program Services	General and Administrative	Fundraising	2019 Total
FUNCTIONAL EXPENSES				
Contract Services	$ 114,584	$ -	$ -	$ 114,584
Depreciation	-	45,001	-	45,001
Insurance	-	14,865	-	14,865
Lodging Costs	6,519	-	-	6,519
Office and Other	30,347	99	2,606	33,052
Personnel	137,701	18,685	-	156,386
Professional Services	-	15,181	-	15,181
Property Taxes	-	11,070	-	11,070
Repairs and Maintenance	29,473	-	-	29,473
Travel and Conferences	30,835	-	-	30,835
Utilities	-	17,208	-	17,208
TOTAL EXPENSES	$ 349,459	$ 122,109	$ 2,606	$ 474,174

BLUE SKY SUSTAINABLE LIVING CENTER, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

		2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	(48,936)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (used in) Operating Activities:		
Depreciation		45,001
(Gain) on disposal of Property and Equipment		(223,490)
(Increase) in Accounts Receivable		(3,612)
Decrease in Deposits		1,500
NET CASH PROVIDED BY OPERATING ACTIVITIES		(229,537)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property & Equipment		411,170
Purchases of Property and Equipment		(6,184)
NET CASH USED IN INVESTING ACTIVITIES		404,986
NET INCREASE IN CASH		175,449
CASH, BEGINNING OF YEAR		194,583
CASH, END OF YEAR	$	370,032

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Blue Sky Sustainable Living Center, Inc. (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.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in it, corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. All of the Organization's cash at December 31, 2019 is on deposit with major U.S. financial institutions that management believes are of high credit quality. Deposits with U.S. financial institutions at any point in time may exceed federally insured limits. The Organization has not experienced any losses on its cash deposits.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

All acquisitions of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

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, 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 or the donor has explicitly released the restriction.

In 2019 the Organization sold land to a farming organization for $400,000 and recognized a gain of $253,242.

<u>Government Grants and Contracts</u>

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 $51,660 for the year ended December 31, 2019.

<u>Contribution Revenue</u>

The Organization receives support from individuals, foundations, corporations, and other nonprofit organizations in support of the Organization's mission. Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Organization receives promises to give that have certain conditions such as meeting specific performance-related barriers or limiting the Organization's discretion on use of the funds. Other contributions may have revocable features to the promises to give. Such conditional promises to give are recognized when the conditions are substantially met.

<u>In-Kind Contributions</u>

Donated property, marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Certain other in-kind contributions have also been received and recorded at fair-market value in the period in which each contribution was made.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service and the state of California. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations, or cash flows.

Recent Accounting Pronouncements

The Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, Revenue from *Contracts with Customers,* with a date of the initial application of January 1, 2019. ASC 606 provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive.

The Organization applied ASC 606 using the modified retrospective method, which requires recognizing the cumulative effect of initially applying the new guidance as an adjustment at January 1, 2019. The Organization determined that adoption of ASC 606 did not have material impact on the Organization's financial position, results of operations, or cash flows because the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. In making this determination, the Organization applied ASC 606 to uncompleted customer contracts at January 1, 2019.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consisted of the following at December 31, 2019:

Land	$ 411,196
Aircraft Runway	75,734
Vehicles	55,000
Equipment	15,428
Buildings	564,124
Dwellings	13,000
Less: Accumulated Depreciation	(85,583)
	$1,048,899

Depreciation expense was $45,001 for the year ended December 31, 2019.

NOTE 3 – SUBSEQUENT EVENTS

The Organization has evaluated the impact of subsequent events on these financial statements, including disclosures, through October 9, 2020, the date the financial statements were available to be issued.

The rapid global spread of the COVID-19 coronavirus since December 2019 is disrupting supply chains and affecting production and sales across a range of industries. The overall impact on economic activity has been negative. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the virus, and the impact on our customers, employees and vendors. As of October 9, 2020, the ultimate outcome of these matters is uncertain and accordingly, the impact on the Organization's financial condition or results of operations is also uncertain.

Financially, the outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. Cash flows from contributions and program revenues may slow and the Organization's accounts receivable may be impacted as well, as donors also face financial uncertainty.

Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Organization's results of future operations, financial position, and liquidity in fiscal year 2020.

On April 15, 2020, the Organization was granted a loan (the "Loan") with Rural Community Assistance Corporation in the amount of $27,681, pursuant to the Paycheck Protection Program (the "PPP") set forth in the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") which was enacted March 27, 2020. The loan matures on April 15, 2022 and bears interest at a rate of 1% per annum, payable monthly with a deferral of payments for the first six months. Proceeds of the loan must be solely used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations that were incurred before February 15, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization intends to use the entire loan amount for qualifying expenses.