



**BLUE SKY SUSTAINABLE LIVING CENTER
FINANCIAL STATEMENTS
DECEMBER 31, 2023**

BLUE SKY SUSTAINABLE LIVING CENTER

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FARBER HASS HURLEY LLP

CERTIFIED PUBLIC ACCOUNTANTS

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, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and 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 did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Farber Hass Hurley LLP
Oxnard, CA
May 13, 2024

**BLUE SKY SUSTAINABLE LIVING CENTER
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS:			
Cash	\$ 85,281	\$ -	\$ 85,281
Accounts receivable	19,671	-	19,671
Contributions receivable	38,538	-	38,538
Prepaid expenses	2,923	-	2,923
Inventory	24,029	-	24,029
Total current assets	<u>170,442</u>	<u>-</u>	<u>170,442</u>
NONCURRENT ASSETS:			
Property and equipment, net	<u>937,468</u>	<u>-</u>	<u>937,468</u>
Total noncurrent assets	<u>937,468</u>	<u>-</u>	<u>937,468</u>
TOTAL ASSETS	<u>\$ 1,107,910</u>	<u>\$ -</u>	<u>\$ 1,107,910</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable	\$ 9,044	\$ -	\$ 9,044
Accrued expenses and other liabilities	4,481	-	4,481
Total current liabilities	<u>13,525</u>	<u>-</u>	<u>13,525</u>
NET ASSETS:			
Without donor restrictions	1,094,385	-	1,094,385
With donor restrictions	-	-	-
Total net assets	<u>1,094,385</u>	<u>-</u>	<u>1,094,385</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,107,910</u>	<u>\$ -</u>	<u>\$ 1,107,910</u>

See accompanying accountants' compilation report and notes to financial statements.

BLUE SKY SUSTAINABLE LIVING CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 110,511	\$ -	\$ 110,511
Government grants	174,893	-	174,893
Program income	58,847	-	58,847
In-kind donations	12,891	-	12,891
Cuyama beverage sales (net of costs of \$4,659)	5,777	-	5,777
Rental income	79,581	-	79,581
Interest and other income	1,754	-	1,754
Net assets released from restriction	121,596	(121,596)	-
Total revenue, gains, and other support	<u>565,850</u>	<u>(121,596)</u>	<u>444,254</u>
EXPENSES:			
Program expenses	472,809	-	472,809
Management and general expenses	14,687	-	14,687
Fundraising expenses	13,974	-	13,974
Total expenses	<u>501,470</u>	<u>-</u>	<u>501,470</u>
CHANGE IN NET ASSETS	64,380	(121,596)	(57,216)
NET ASSETS, BEGINNING OF YEAR	<u>1,030,005</u>	<u>121,596</u>	<u>1,151,601</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,094,385</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,094,385</u></u>

See accompanying accountants' compilation report and notes to financial statements.

**BLUE SKY SUSTAINABLE LIVING CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Total Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Salaries, wages, and bonuses	\$ 181,162	\$ 3,913	\$ -	\$ 185,075
Benefits	13,983	-	-	13,983
Total salaries and benefits	<u>195,145</u>	<u>3,913</u>	<u>-</u>	<u>199,058</u>
Bank fees	220	-	-	220
Contract services	87,345	113	11,077	98,535
Depreciation	16,555	7,640	1,273	25,468
Insurance	9,671	309	-	9,980
Licenses and permits	577	-	-	577
Maintenance and repairs	33,977	33	42	34,052
Miscellaneous expenses	1,000	-	-	1,000
Office supplies	56,363	21	156	56,540
Postage and mailing	1,149	-	-	1,149
Printing and copying	6,951	-	830	7,781
Professional fees	10,321	2,583	-	12,904
Property taxes	7,999	-	-	7,999
Rent	12,000	-	-	12,000
Subscriptions and fees	2,559	61	19	2,639
Travel and meetings	8,189	14	577	8,780
Utilities	19,801	-	-	19,801
Vehicles	2,987	-	-	2,987
TOTAL EXPENSES	<u><u>\$ 472,809</u></u>	<u><u>\$ 14,687</u></u>	<u><u>\$ 13,974</u></u>	<u><u>\$ 501,470</u></u>

See accompanying accountants' compilation report and notes to financial statements.

**BLUE SKY SUSTAINABLE LIVING CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (57,216)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	25,468
Amortization of right-of-use asset	7,982
Changes in operating assets and liabilities:	
Accounts receivable	6,291
Contributions receivable	(38,538)
Inventory	(1,355)
Prepaid expenses	1,752
Accounts payable	6,132
Accrued expenses	(3,347)
Lease liability	(7,982)
Deferred revenue	(7,970)
NET CASH USED BY OPERATING ACTIVITIES	<u>(68,783)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(68,783)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>154,064</u>
CASH AND CASH EQUIVALENTS END OF YEAR	<u><u>\$ 85,281</u></u>

See accompanying accountants' compilation report and notes to financial statements.

**BLUE SKY SUSTAINABLE LIVING CENTER
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Blue Sky Sustainable Living Center (“Organization”) is a California corporation organized 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). The Organization is home to 267 acres of land with 24,000 square feet of industrial facilities. The Organization is governed by a board of directors (“Board”).

Program Services

To achieve the Organization’s mission, many different programs are conducted. These programs include “Economic Development” such as *Explore Cuyama* and *Made in Cuyama*; “Creative Community Engagement” such as *Art in Action*; “Community Research and Development” such as *Water from Thin Air*, *Townsites Beautification & Wayfinding* and *Cuyama Resiliency*. Other programs promote “Food and Agriculture” such as *Healthy Food Systems*. Some programs span multiple categories such as *Cuyama Beverage Co.* which aims to promote “Economic Development & Food Systems” or *L88 Airstrip Resurfacing* which spans both “Economic Development & Community Resiliency”.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

Financial statements of not-for-profit organizations measure net assets and net asset activity based on the absence or existence of donor-imposed restrictions. Net assets are classified pursuant to donor-imposed restrictions and applicable law. Brief explanations of the net asset categories are presented below:

Net assets without donor restrictions – This category includes net assets that are not subject to donor-imposed restrictions, as well as investments designated by the Board (if any) to function as endowments (“quasi-endowments”).

Net assets with donor restrictions – This category includes net assets that are subject to explicit donor-imposed restrictions. When restrictions expire due to the passage of time or the incurrence of expenditures that satisfy the donor-imposed restrictions, net assets are reclassified to net assets without donor restrictions.

BLUE SKY SUSTAINABLE LIVING CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that the donor restrictions were met in the year the contribution was received.

Recently Adopted Accounting Guidance

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new enhanced disclosures only.

Revenue Recognition

Contributions

All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. 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 and cost-reimbursement contracts received in advanced are not recognized until the conditions on which they depend have been substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

Program Services

Revenue from program service fees are recognized at a point in time that the service is performed and billed. The service is considered to be the performance obligation, which is fulfilled in real time and paid for at the time of service.

Rental Income

Rental income from programs is recognized at a point in time. Occupancy is considered to be the performance obligation, which is fulfilled at the time of the stay. Payments received in advance are deferred to the applicable period in which occupancy occurs.

BLUE SKY SUSTAINABLE LIVING CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retail Sales

Revenue is recognized from sales at the *Cuyama Beverage Company* store at a point in time when the customer takes physical possession on site or upon delivery for purchases through the web store. Additional revenue is recognized for shipping charges billed to customers and shipping costs are accounted for as fulfillment costs within cost of goods sold. The Organization estimates returns based on an analysis of historical experience. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of goods sold in the period that the retail sales are recorded. In the Statement of Activities and Changes in Net Assets for the year ended December 31, 2023, sales are shown net of cost of good sold. For the year ended December 31, 2023 net sales consisted of:

Sales	\$ 10,436
Cost of goods sold	<u>4,659</u>
Net Sales	<u>\$ 5,777</u>

Donated Materials, Goods and Services

The Organization receives donated services from a variety of unpaid volunteers who assist with programs and in non-specialized roles. The value of services contributed by these volunteers is not reflected in the financial statements since these services do not meet the criteria for recognition.

The Organization records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are proved by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of goods and property are recognized at fair market value when received. The Organization determines fair market value by comparing the contributed goods or property to like items available for purchase from publicly available websites at the time of contribution.

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

The Organization records accounts receivable at net realizable value. The Organization maintains an allowance for expected credit losses (allowance for doubtful accounts). The Organization bases the allowance on prior experience, existing economic conditions, and reasonable and supportable forecasts. Management reviews accounts receivable monthly, and receivables are written off after all efforts to collect have been exhausted. As of December 31, 2023 the allowance for credit losses was trivial.

**BLUE SKY SUSTAINABLE LIVING CENTER
NOTES TO FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization accounts for its lease agreements in accordance with Accounting Standards Codification 842, “Leases” (“Topic 842”). The Organization determines whether an agreement contains a lease at inception based on the Organization’s right to obtain substantially all the economic benefits from the use of the identified asset and its right to direct the use of the identified asset. Operating lease right-of-use assets and liabilities are recognized at the lease commencement date based on the present value of remaining lease payments over the lease term using the risk-free interest rate (“discount rate”).

Short-Term operating leases, which have an initial term of 12 months or less, are not recorded on the balance sheet. Options to extend long-term operating lease agreements are also factored into the recognition of their respective assets and liabilities when appropriate based on management’s assessment of the probability that the options will be exercised.

Additionally, for the measurement and classification of lease agreements, the Organization combines lease and non-lease components into a single component.

Inventory

Inventory consists of Cuyama Beverage Company raw materials and finished goods. Inventory is valued at the lower of cost or net realizable value, using the average cost method.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line basis, starting from the date the asset is put in use over the following estimated useful lives:

Buildings	5 to 39 years
Furniture & equipment	5 to 7 years
Vehicles & machinery	5 years

The cost of repairs and modifications to extend the life or increase the value of equipment are capitalized and depreciated over the revised remaining useful life of the asset.

Leasehold improvements are depreciated over the shorter of their estimated useful life or the term of the related lease.

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are allocated to programs and supporting services based on the ratio of employee time spent in different areas.

BLUE SKY SUSTAINABLE LIVING CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments that affect reported amounts and disclosures. Significant estimates made by management include the estimated net realizable value of receivables. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts reported in the Statement of Financial Position for cash, prepaid expense, inventory, accounts payable and accrued expenses approximate fair values because of their short-term nature.

Income Taxes

No provision for income taxes is included in the accompanying financial statements. The Organization has received a determination letter from the Internal Revenue Service that recognizes it as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. The federal exemption from income tax is recognized by state authorities.

NOTE 2: CONTRIBUTIONS RECEIVABLE

At December 31, 2023, contributions receivable consisted of the following:

Receivable due in less than one year:	
Corporate and business grants	\$ 4,293
Government grants	34,245
Receivable due in more than one year:	-
Total	<u>\$ 38,538</u>

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2023:

Land	\$ 406,412
Buildings	657,050
Furniture & equipment	26,465
Vehicles & machinery	64,695
Total cost	<u>1,154,622</u>
Accumulated depreciation	<u>(217,154)</u>
Ending balance	<u>\$ 937,468</u>

Depreciation expense was \$25,468 for the year ending December 31, 2023.

BLUE SKY SUSTAINABLE LIVING CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 4: IN KIND CONTRIBUTIONS

During the year ended December 31, 2023, the Organization received in kind contributions of the following:

Legal and professional services	\$ 2,883
Supplies	10,008
Total	<u>\$ 12,891</u>

Supplies contributed during the year ended December 31, 2023 were not restricted by the donor and were utilized to support various programs.

NOTE 5: LEASES

Operating Lease

The Organization leased a mobile home beginning on September 1, 2021, and expiring on August 31, 2023. Upon expiration of the lease, it was agreed to extend the lease on a month-to-month basis, indefinitely, with both parties able to terminate the lease at any time. Monthly payments of \$1,000 are required under both the initial term of the lease and month-to-month basis.

Lease Cost:	
Long-term operating lease cost	\$ 8,000
Short-term operating lease cost	4,000
Total	<u>\$ 12,000</u>
Other information-Long-term lease:	
Weighted-average discount rate	0.78%
Weighted-average remaining lease term	0 years
Cash paid for Long-term operating lease	\$ 8,000

NOTE 6: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general use within one year of December 31, 2023, because of contractual donor-imposed restriction or internal designations. Amounts available include donor-restricted amounts that are available for expenditures in the following years.

Financial assets:	
Cash and cash equivalents	\$ 85,281
Accounts receivable	19,671
Contributions receivable	38,538
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 143,490</u>

BLUE SKY SUSTAINABLE LIVING CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 7: CONCENTRATIONS OF DEPOSIT AND CREDIT RISK

The Organization maintains cash balances at one bank insured by the Federal Deposit Insurance Corporations (FDIC) for up to \$250,000 per depositor, per bank. At times, balances may exceed federally insured limits. At December 31, 2023, cash and cash equivalent balances did not exceed insured limits.

NOTE 8: LITIGATION

The Organization and neighboring water users have been involved in litigation concerning groundwater rights and claims brought by certain Cuyama Valley landowners. The adjudication lawsuit initially filed in August 2021 seeks a ruling by the Court to determine the amount of groundwater available and how much water individual water-right-holders may pump out of the ground. A trial is scheduled for February 24, 2025. The ultimate outcome of this litigation cannot presently be determined. However, the organization does not believe that the resolution of the proceedings will have a material adverse effect on the Organization's financial position, results of operations or cash flows.

The legal firm currently representing the Organization is doing so on a pro bono basis, as such an in-kind donation in the Statement of Activities and Changes in Net Assets is offset by the legal fees recognized under professional fees in the Statement of Functional Expenses.

In-kind legal fees contributed during the year ended December 31, 2023 totaled \$2,583.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 13, 2024, the date the financial statements were available to be issued.