

**BRANNAN CENTER  
FINANCIAL STATEMENTS  
JUNE 30, 2023**

**BRANNAN CENTER  
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JUNE 30, 2023**

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3005 Douglas Blvd., Ste. 115

Roseville, CA 95661

(916) 774-1040

(916) 774-1177 Fax

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Brannan Center  
Calistoga, California

### Opinion

We have audited the accompanying financial statements of Brannan Center (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brannan Center, as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Brannan Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Brannan Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not

absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Brannan Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Brannan Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Boden Klein & Sneesby*

BODEN KLEIN & SNEESBY  
Certified Public Accountants  
Roseville, California

August 30, 2023

**BRANNAN CENTER**

Statement of Financial Position  
June 30, 2023

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**ASSETS**

Cash and cash equivalents	\$ 2,146,423
Investments	3,321,785
Pledges receivable	<u>225,000</u>
Total current assets	5,693,208
Pledges receivable - non-current	700,000
Construction in progress	<u>1,798,903</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,192,111</u></b>

**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Accounts payable	<u>\$ 300,204</u>
Net Assets:	
Without donor restrictions	5,478,907
With donor restrictions	<u>2,413,000</u>
Total net assets	<u>7,891,907</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,192,111</u></b>

See notes to financial statements

**BRANNAN CENTER**Statement of Activities  
For the Year Ended June 30, 2023

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<b>REVENUE AND SUPPORT:</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donations and grants	\$ 2,310,691	\$ 2,313,000	\$ 4,623,691
Investment income	75,127	-	75,127
Net assets released from restrictions:			-
Satisfaction of program restrictions	-	-	-
	<u>2,385,818</u>	<u>2,313,000</u>	<u>4,698,818</u>
<b>EXPENSES:</b>			
Program services	61,511	-	61,511
Fundraising	22,260	-	22,260
General and administrative	13,629	-	13,629
<b>TOTAL EXPENSES</b>	<u>97,400</u>	<u>-</u>	<u>97,400</u>
<b>CHANGE IN NET ASSETS</b>	2,288,418	2,313,000	4,601,418
Net assets, beginning of year	<u>3,190,489</u>	<u>100,000</u>	<u>3,290,489</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 5,478,907</u>	<u>\$ 2,413,000</u>	<u>\$ 7,891,907</u>

See notes to financial statements

## BRANNAN CENTER

### Statement of Functional Expenses For the Year Ended June 30, 2023

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	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and benefits	\$ 40,124	\$ -	\$ -	\$ 40,124
Dues and subscriptions	1,830	-	-	1,830
Fundraising	-	22,260	-	22,260
Insurance	313	-	10,064	10,377
Landscaping	1,600	-	-	1,600
Office expense	13,341	-	1,900	15,241
Professional fees	-	-	1,665	1,665
Taxes	1,416	-	-	1,416
Utilities	2,887	-	-	2,887
<b>TOTAL EXPENSES</b>	<u>\$ 61,511</u>	<u>\$ 22,260</u>	<u>\$ 13,629</u>	<u>\$ 97,400</u>

See notes to financial statements

## BRANNAN CENTER

### Statement of Cash Flows For the Year Ended June 30, 2023

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Cash Flows from Operating Activities:	
Change in net assets	\$ 4,601,418
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized loss	14,747
Changes in operating assets and liabilities	
Pledges receivable	(900,000)
Accounts payable	299,707
Accrued payroll	(10,782)
Net cash provided by operating activities	<u>4,005,090</u>
Cash flows from investing activities:	
Purchase of securities	(3,336,532)
Additions to construction in progress	<u>(1,605,912)</u>
Net cash used in investing activities	<u>(4,942,444)</u>
Decrease in cash and cash equivalents	(937,354)
Cash and cash equivalents, beginning of year	<u>3,083,777</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 2,146,423</u></u>

See notes to financial statements

**BRANNAN CENTER**  
**Notes to Financial Statements**

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**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Brannan Center (Organization) was organized in 2020 and is located in Calistoga, California. The mission of the Organization is to serve as a bicultural community resource for educational and nonprofit organizations and to provide a venue for musical and theatrical performances in Calistoga and the surrounding communities and for multiple community services. The Organization is supported by both public and private donations and grants.

**Significant Accounting Policies**

**(a) *Basis of presentation***

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting; revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The Organization's financial statements are presented in conformity with Accounting Standards Codification (ASC) 958-205, *Not-For-Profit Entities – Presentation of Financial Statements* updated for AU 2016-14. In accordance with ASC 958, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**(b) *Support and revenue recognition***

In accordance with generally accepted accounting principles, revenues from contributions and grants are recognized at the earlier of the date of receipt of the contributions/grant or the date of a formal, unconditional pledge. The Organization has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The adoption of the ASU did not have an impact on the Organization's financial results.

**(c) *Cash and equivalents***

The Organization considers all short-term investments with an original maturity of nine months or less to be cash equivalents, unless held for long-term purposes.

**(d) *Concentration of credit risk***

The Organization maintains bank accounts with various financial institution. At times, the balance may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. The Organization has not incurred losses related to these deposits.

**(e) *Investments***

The Organization carries its investments at estimated fair value based upon quoted market prices when available, or estimates of fair value in the statement of financial position. Changes in estimated fair values are recognized as gains or losses in the statement of activities and changes in net assets as part of return on investments.

**(f) *Property and equipment***

All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of

**BRANNAN CENTER**  
**Notes to Financial Statements**

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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 recorded using the straight-line method over the estimated useful lives of the related assets.

(g) *Income taxes*

The Organization operates as a nonprofit public benefit corporation and has received exempt status under Section 501(c)(3) of the Internal Revenue Code and the California Revenue and Taxation Code section 23701(d) and has no unrelated business income tax.

The Organization adopted the accounting principles related to accounting for uncertainty in income taxes (as described under ASC 740-10), and has determined that there is no material impact on the financial statements at June 30, 2023. The Organization's tax returns are subject to examination by federal and state taxing authorities, generally for 3 and 4 years, respectively, after they are filed.

(h) *Use of estimates*

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

(i) *Functional allocation of expenses*

The costs of providing program services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Specific expenses that are readily identifiable to a single program or activity are charged directly to that program. Salaries and related expenses are allocated based on estimates of time and effort.

(j) *Subsequent events*

Management has evaluated subsequent events through August 30, 2023, the date on which the financial statements were available to be issued. During this period, the Organization is not aware of any significant recognizable or unrecognizable subsequent events.

**NOTE 2 - FAIR VALUE MEASUREMENTS**

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

**BRANNAN CENTER**  
**Notes to Financial Statements**

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The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

*Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

*Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization's investments consist entirely of U.S. Treasury Bills recorded at fair value on a recurring basis using Level 1 inputs.

**NOTE 3 - PLEDGES RECEIVABLE**

Management believes all pledges receivable are fully collectible; accordingly, no allowance has been recorded. The non-current portion is due within five years.

**NOTE 4 - CONSTRUCTION IN PROGRESS**

The Organization entered into renovation for a building located in Calistoga, California. Per the terms of the renovation agreements, the Organization is to renovate, repair and then maintain the property. Construction in progress represents costs associated with the renovation and repair.

The Organization also entered into a lease agreement for the building. Per the lease agreement, the "rental" payments shall be the payment by the Organization of all expenses to maintain and operate the property, including but not limited to insurance, property taxes, utilities, repairs and landscaping. The "rental" payment consists entirely of non-lease components as defined by ASC 842-10-15 therefore, no right of use asset or lease liability is reported.

**NOTE 5 - LINE OF CREDIT**

The Organization has \$2,500,000 operating line of credit that expires on March 29, 2026. Interest is payable monthly at prime minus 1%. The line is personally guaranteed by a board member of the Organization.

**BRANNAN CENTER**  
**Notes to Financial Statements**

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NOTE 6 - LIQUIDITY

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2023</u>
Financial assets at June 30,	\$ 6,393,208
Contractual or donor-imposed restrictions:	
Non-current pledges receivable	(700,000)
Net assets with donor restrictions	<u>(2,413,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,280,208</u>

The Organization is supported by restricted and unrestricted grants and contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.