

BAYARTS  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017



BAYARTS  
DECEMBER 31, 2018 AND 2017  
TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Statements of Financial Position	
As of December 31, 2018 and 2017.....	2-3
Statements of Activity and Changes in Net Assets	
For the Year ended December 31, 2018.....	4
For the Year ended December 31, 2017.....	5
Statements of Functional Expenses	
For the Year ended December 31, 2018.....	6
For the Year ended December 31, 2017.....	7
Statements of cash Flows	
For the Years ended December 31, 2018 and 2017.....	8
NOTES TO THE FINANCIAL STATEMENTS .....	9-17

February 12, 2019

The Board of Directors  
BAYarts  
Bay Village, Ohio

Independent Auditors' Report

We have audited the accompanying financial statements of BAYarts (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BAYarts as of December 31, 2018 and 2017 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Koester, DiSalvo and Fried*

BAYARTS  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31,

	ASSETS	
	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 70,669	\$ 75,773
Trade and grants receivable	97,984	32,205
Prepaid expenses	11,460	-
Investments	11,833	12,298
Total Current Assets	<u>191,946</u>	<u>120,276</u>
<b>Property and Equipment</b>		
Furniture	51,129	51,129
Equipment	38,059	37,171
Art equipment	3,890	3,890
Leasehold improvements		
Gallery House	70,815	70,815
Irene Lawrence Fuller House	427,100	427,100
Karen Ryel Ceramic Arts & Education Center	554,182	554,182
Playhouse	85,986	37,285
Less: accumulated depreciation	<u>(251,616)</u>	<u>(204,728)</u>
Net Property and Equipment	979,545	976,844
<b>Other Assets</b>		
Bayarts Cultural Access Funds	11,201	-
Artwork	13,350	13,350
Website	10,900	10,900
Less amortization	<u>(7,630)</u>	<u>(5,450)</u>
Total Other Assets	<u>27,821</u>	<u>18,800</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,199,312</u></u>	<u><u>\$ 1,115,920</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

BAYARTS  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31,

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accounts payable	\$ 70,246	\$ 1,939
Credit cards payable	1,637	1,259
Deferred class revenue	74,513	69,809
Deferred other revenue	500	1,093
Sales tax withheld	4,388	-
Accrued expenses	-	2,500
Total Current Liabilities	<u>151,284</u>	<u>76,600</u>
Long-Term Liabilities		
Security deposit	<u>650</u>	<u>650</u>
Total Long-Term Liabilities	<u>650</u>	<u>650</u>
Total Liabilities	<u>151,934</u>	<u>77,250</u>
Net Assets		
Unrestricted	1,030,093	1,021,726
Donor restricted	<u>17,285</u>	<u>16,944</u>
Total Net Assets	<u>1,047,378</u>	<u>1,038,670</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,199,312</u>	 <u>\$ 1,115,920</u>

The Accompanying Notes are an Integral Part of These Financial Statements

BAYARTS  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Unrestricted</u>	<u>Donor Restricted</u>	<u>Total</u>
Revenue and Support			
Grants	\$ -	\$ 154,177	\$ 154,177
Contributions	82,638	72,237	154,875
Donations-non cash	4,500	-	4,500
Gallery and shop	72,234	-	72,234
Membership dues	4,675	-	4,675
Classes	455,383	-	455,383
Farm and art market	20,334	-	20,334
Catering	67,653	-	67,653
Miscellaneous	12,452	-	12,452
Fund raising-general	31,816	-	31,816
Interest income	1,559	-	1,559
Rental income	8,580	-	8,580
Loss on investments	(1,324)	-	(1,324)
Released	<u>226,073</u>	<u>(226,073)</u>	<u>-</u>
 Total Revenue and Support	 986,573	 341	 986,914
Expenses			
Gallery and shop expenses	197,919	-	197,919
Education	591,572	-	591,572
Management and general expenses	85,249	-	85,249
Fundraising expenses	<u>103,466</u>	<u>-</u>	<u>103,466</u>
 Total Expenses	 <u>978,206</u>	 <u>-</u>	 <u>978,206</u>
 Change in Net Assets	 8,367	 341	 8,708
 Net Assets at Beginning of Year	 <u>1,021,726</u>	 <u>16,944</u>	 <u>1,038,670</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,030,093</u>	 <u>\$ 17,285</u>	 <u>\$ 1,047,378</u>

The Accompanying Notes are an Integral Part of These Financial Statements

BAYARTS  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Donor Restricted</u>	<u>Total</u>
Revenue and Support			
Grants	\$ -	\$ 99,535	\$ 99,535
Contributions	105,780	-	105,780
Donations-non cash	40,285	-	40,285
Gallery and shop	67,633	-	67,633
Membership dues	8,315	-	8,315
Classes	471,968	-	471,968
Gain on investment	390	-	390
Farm and art market	12,221	-	12,221
Catering	76,538	-	76,538
Miscellaneous	6,253	-	6,253
Fund raising-general	31,839	-	31,839
Interest income	315	-	315
Rental income	8,580	-	8,580
Released	<u>88,385</u>	<u>(88,385)</u>	<u>-</u>
 Total Revenue and Support	 918,502	 11,150	 929,652
Expenses			
Shop and Gallery expenses	152,771	-	152,771
Education expenses	516,619	-	516,619
Management and general expense	118,135	-	118,135
Fundraising expenses	<u>94,175</u>	<u>-</u>	<u>94,175</u>
 Total Expenses	 <u>881,700</u>	 <u>-</u>	 <u>881,700</u>
 Change in Net Assets	 36,802	 11,150	 47,952
 Net Assets at Beginning of Year	 <u>984,924</u>	 <u>5,794</u>	 <u>990,718</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,021,726</u>	 <u>\$ 16,944</u>	 <u>\$ 1,038,670</u>

The Accompanying Notes are an Integral Part of These Financial Statements

BAYARTS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Gallery and Shop <u>Expenses</u>	Education <u>Expenses</u>	Management and General <u>Expenses</u>	Fundraising <u>Expenses</u>	<u>Total</u>
Expenses					
Payroll	\$ 69,311	\$ 178,145	\$ 47,763	\$ 67,846	\$ 363,065
Taxes-payroll	6,193	15,941	2,944	6,062	31,139
Pension expense	1,689	4,347	802	1,653	8,491
	<u>77,193</u>	<u>198,433</u>	<u>51,509</u>	<u>75,561</u>	<u>402,695</u>
Advertising	36,285	6,789	-	1,455	44,529
Amortization	434	1,116	206	424	2,180
Bank charges	6,392	17,503	366	4,286	28,547
Computer expense	704	1,813	335	690	3,542
Contract labor	1,600	154,446	1,277	-	157,322
Food/beverage	-	-	657	-	657
Insurance	3,982	10,251	1,893	3,898	20,024
Licenses and fees	-	-	2,117	-	2,117
Maintenance	14,564	-	-	-	14,564
Miscellaneous	1,967	442	175	3,090	5,674
Postage	6,308	-	977	-	7,285
Professional fees	-	-	9,999	-	9,999
Program fees	16,107	-	-	-	16,107
Equipment-rental	1,079	2,779	513	1,057	5,428
Seminars/meetings	-	-	2,903	3,372	6,275
Special projects	-	111,803	-	-	111,803
Supplies	10,515	39,027	7,644	-	57,186
Trash removal	1,326	3,413	630	1,298	6,667
Telephone	1,228	3,160	583	1,202	6,173
Utilities	4,482	11,538	2,132	4,388	22,540
	<u>184,166</u>	<u>562,513</u>	<u>83,916</u>	<u>100,721</u>	<u>931,316</u>
Expenses before depreciation					
Depreciation	<u>13,753</u>	<u>29,059</u>	<u>1,333</u>	<u>2,745</u>	<u>46,890</u>
Total Expenses	<u>\$ 197,919</u>	<u>\$ 591,572</u>	<u>\$ 85,249</u>	<u>\$ 103,466</u>	<u>\$ 978,206</u>

The Accompanying Notes are an Integral Part of These Financial Statements

BAYARTS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Gallery and Shop <u>Expenses</u>	Education <u>Expenses</u>	Management and General <u>Expenses</u>	Fundraising <u>Expenses</u>	<u>Total</u>
Expenses					
Payroll	\$ 47,445	\$ 182,518	\$ 55,843	\$ 56,977	\$ 342,783
Taxes-payroll	4,804	15,703	4,082	4,902	29,491
Pension expense	1,070	4,117	1,260	1,285	7,732
	<u>53,319</u>	<u>202,338</u>	<u>61,185</u>	<u>63,164</u>	<u>380,006.</u>
Advertising	15,103	26,688	-	8,331	50,122
Amortization	592	872	354	362	2,180
Bank charges	4,389	14,347	3,730	4,478	26,944
Computer expense	433	1,664	4,308	520	6,925
Contract labor	16,174	174,464	12,456	-	203,095
Food/beverage	2,147	-	1,411	2,000	5,558
Insurance	2,347	9,029	2,762	2,819	16,957
Licenses and fees	1,335	-	-	-	1,335
Maintenance	18,780	-	2,925	-	21,705
Miscellaneous	5,569	400	4,084	1,983	12,036
Postage	814	814	815	814	3,257
Professional fees	-	-	3,561	-	3,561
Program fees	1,515	4,001	-	-	5,516
Equipment-rental	457	1,758	537	549	3,301
Security	-	-	460	-	460
Seminars/meetings	-	699	1,740	470	2,910
Supplies	11,634	41,854	5,821	2,767	62,076
Trash removal	865	1,018	3,328	1,039	6,250
Telephone	952	3,663	1,121	1,144	6,880
Utilities	2,913	11,204	3,428	3,498	21,043
Expenses before Depreciation	<u>139,338</u>	<u>494,813</u>	<u>114,026</u>	<u>93,938</u>	<u>842,115</u>
Depreciation	<u>13,433</u>	<u>21,806</u>	<u>4,109</u>	<u>237</u>	<u>39,585</u>
Total Expenses	<u>\$ 152,771</u>	<u>\$ 516,619</u>	<u>\$ 118,135</u>	<u>\$ 94,175</u>	<u>\$ 881,700</u>

The Accompanying Notes are an Integral Part of These Financial Statements

BAYARTS  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED  
DECEMBER 31,

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 8,708	\$ 47,952
Adjustments to reconcile Net Change to net cash provided by (used in) operating activities		
Depreciation and Amortization	49,070	41,765
Losses (Gains) on Investments	1,324	(390)
Donation of furniture	(4,500)	(40,285)
(Increase) Decrease in Operating Assets:		
Accounts receivable	(65,779)	2,074
Prepays	(11,460)	-
Increase (Decrease) in Operating Liabilities:		
Accounts payable	68,307	(39,933)
Accrued expenses	(2,500)	1,044
Sales tax withheld	4,388	-
Deferred revenue	4,111	(3,612)
Credit cards payable	377	1,259
Total Adjustments	<u>43,338</u>	<u>(38,078)</u>
Net Cash Provided By Operating Activities	52,046	9,874
Cash Flows From Investing Activities		
Capital expenditures	(45,090)	(898)
Purchase of investments	(12,060)	-
Proceeds from sale of investements	<u>-</u>	<u>15,000</u>
Net Cash (Used In) Provided By Investing Activities	(57,150)	14,102
Cash Flows From Financing Activities		
Net Cash Provided By (Used In) Financing Activities	<u>-</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,104)	23,976
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>75,773</u>	<u>51,797</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 70,669</u>	<u>\$ 75,773</u>
Supplemental information		
Amount of interest paid on all indebtness	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of These Financial Statements

BAYARTS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 1- Background and Structure of the Organization

BAYarts has been granted nonprofit status under Section 501 (c) (3) of the Internal Revenue Code. The mission of BAYarts is to create a welcoming, lakeside environment to stimulate, encourage, and support professional and aspiring artists of all ages through collaboration, education and exhibition.

NOTE 2- Summary of Significant Accounting Policies

- A. General Methods- The accompanying financial statements have been prepared as prescribed in the American Institute of Certified Public Accountants' Guide for Not-For-Profit Organizations.
- B. Accrual Basis- The organization records transactions on an accrual basis. Revenue (if any) is recognized when earned, support is recognized when receivable, and expenses are recognized when incurred.
- C. BAYarts complies with FASB ASC 958-605-25, which affects the timing of revenue recognition with regard to donor restricted net assets.

BAYarts also complies with FASB ASC 2016-14, which establishes standards for general purpose external financial statements of not-for-profit organizations. This standard requires classification of an organization's net assets and its support and revenue, expenses and distributions based on the existence or absence of donor-imposed restrictions into two classes of net assets: unrestricted, and donor restricted. Donor restricted net assets are available for payment of specific program or operating expenses and cannot be used for general operating expenses unless specifically stated by the donor.

- D. Allocation of Expenses- Expenses are generally charged to the specific program for which they are incurred. In some cases, however, common expenses are incurred which support the work performed under program services as well as for support services. Such expenses are allocated among the various program services and support services based on the relationship of functionalized payroll costs to total payroll.
- E. Use of Estimates- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

See Auditors' Report

BAYARTS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 2- Summary of Significant Accounting Policies (Continued)

- F. Depreciation- Property and equipment are depreciated using the straight-line method over estimated useful lives.
- G. BAYarts complies with FASB ASC 740- Accounting for Uncertainty in Income Taxes. FASB ASC 740 details how companies should recognize, measure, present and disclose uncertain tax positions that have been or are expected to be taken. As such, the financial statements would reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts, if they existed. Management believes that there are no uncertain tax positions. The organization's tax years that remain subject to examination by the Internal Revenue Service are 2015 and forward.
- H. Donated Goods and Services- During 2018, BAYarts received windows which management estimates are valued at \$4,500 for the playhouse. During 2017, BAYarts received various furniture and fixtures for the Playhouse which management estimates the valued at \$40,285. These amounts have been recorded in the Statement of Activities as non-cash donations and on the statement of position as property and Equipment. A significant portion of BAYarts' functions are conducted by unpaid officers, board members, and volunteers. Although these volunteers are very important to the mission of BAYarts, these services are not reflected in the financial statements as they do not meet the criteria for recognition under FASB ASC 958-605-25.
- I. Recently issued pronouncements - From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) and are adopted by the organization as of the specified effective date. Unless otherwise discussed, BAYarts believes that the impact of other recently issued accounting pronouncements will not have a material impact on its financial position, statements of activities, changes in net deficit, and cash flows, or do not apply to the organization's operations.

In August 2014, the FASB issued ASU 2014-15 "Presentation of Financial Statements - Going Concern." The amendments in this update cover the evaluation of an entity by management and disclosures related to the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The ASU provides guidance on specific disclosures if: (1) conditions or events raise substantial doubt about an entity's ability to continue as a going concern, but the substantial doubt is alleviated as a result of consideration of management's plan, (2) conditions or events raise substantial doubt about an entity's ability to continue as a going concern, and substantial doubt is not alleviated after consideration of management's plans. Management has adopted this standard and has evaluated the organization's ability to continue as a going concern within one year of the financial statement issuing date and has determined that no substantial doubt exists.

See Auditors' Report

BAYARTS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017

NOTE 2- Summary of Significant Accounting Policies (Continued)

J. Investments (if any)- Initial valuation- Pursuant to FASB ASC 958-320 and FASB ASC 958-325, BAYarts initially measures investments at acquisition cost (including brokerage cost and transaction fees) if they are purchased. If they are received as a donation they are recorded at estimated fair value.

Subsequent valuation- BAYarts complies with FASB ASC 958-320, which requires investments in equity securities with readily determined fair value and all investments in debt securities to be measured at fair value in the statement of financial position. With regard to other investments, such as real estate, BAYarts values the investment at lower of cost or managements estimate of fair value.

Valuation hierarchy- FASB ASC 820-10-50 Fair Value Measurements and Disclosures requires categorization of applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For BAYarts the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market (Level 1).

K. Advertising Costs- BAYarts expenses advertising costs when the cost is incurred.

NOTE 3- Cash

BAYarts considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. There are no bank restrictions on the cash accounts. Cash and cash equivalents consist of the following:

	<u>2018</u>	<u>2017</u>
Petty cash	\$ 2,328	\$ 1,583
Paypal and atm machine	6,633	2,679
Checking-PNC Bank	6,091	1,124
Deposit account-PNC Bank	<u>55,617</u>	<u>70,387</u>
Total cash and cash equivalents	<u>\$ 70,669</u>	<u>\$ 75,773</u>

See Auditors' Report

BAYARTS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 4- Investments

As discussed in Note 2(J), BAYarts complies with FASB 958-320, which requires that investments in equity securities with a readily determined fair market value and all investments in debt securities be measured at fair value in the statement of financial position. Gains or losses are included in the statement of activities and change in net assets. The Bayarts Culture Access Fund is held at the Cleveland Foundation. The cost and value are as follows:

Unrestricted Investments held at Baird:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>
Money market funds	\$1,034	\$1,034	\$1,783	\$1,783
Balanced funds/Stock funds	11,891	10,800	4,641	4,796
Other investments	<u>      -</u>	<u>      -</u>	<u>2,973</u>	<u>5,719</u>
Unrestricted Investments	<u>\$12,925</u>	<u>\$11,833</u>	<u>\$9,397</u>	<u>\$12,298</u>
Bayarts Culture Access Fund	<u>\$11,201</u>	<u>\$11,201</u>	<u>\$      -</u>	<u>\$      -</u>

The intention of the board is to observe the guidelines of a five percent (5%) spending policy, multiplied by the average market value of the fund for the twelve consecutive calendar quarters ending the previous June 30<sup>th</sup>. The principal of the fund may be distributed upon the affirmative vote of a majority of the voting members of the executive committee.

NOTE 5- Trade and Grants Receivable

Based upon a review of specific accounts, BAYarts considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

NOTE 6- Artwork

BAYarts has various pieces of art that have been donated through the years. This art work is valued at fair market value at the date of donation. The artwork is not publicly traded and may not be readily marketable. During fiscal year ended June 30, 2009, BAYarts had the work appraised for a total of \$28,500. During fiscal year ended June 30, 2012, several pieces were sold. During FYE June 30, 2015 additional pieces were purchased and donated. Management believes the value of the remaining pieces is \$13,350.

See Auditors' Report

BAYARTS  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018 AND 2017

NOTE 7- Property and Equipment

Property and equipment are stated at cost, if purchased or at the fair market value on the date of donation, if contributed. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Category</u>	<u>Estimated useful life</u>
Furniture & Fixtures	7 years
Equipment	5 years
Leasehold Improvements	7 years
Gallery House	7 years
Playhouse	39 & 5 years
Irene Lawrence Fuller House	39 years
Karen Ryel Ceramic Arts & Education Center	39 years

Costs of maintenance and repairs are charged to expenses. Costs of renewals and betterments, where significant in amount, are capitalized.

The Irene Lawrence Fuller House– In the spring of 2010, BAYarts began the restoration of this historic house, thanks to the generous grants from The Ohio Cultural Facilities Commission, (now called the Ohio Facilities Construction Commission) The Cleveland Metroparks, Mapleleaf Landscaping, local businesses and friends of BAYarts. After the two-year renovation, the Fuller House began a new journey as the home of a new gallery, classrooms and a gathering place. \$10,949 and \$11,109 of the total \$46,890 and \$39,585 depreciation expense for 2018 and 2017, respectively is directly related to this renovation.

Karen Ryel Ceramic Arts & Education Center– During FYE June 30, 2015, BAYarts completed the construction on the Karen Ryel Ceramic Arts & Education Center, thanks to the generous donations from Gretchen Collieran. \$14,210 and \$14,210 of the total \$46,890 and \$39,585 depreciation expense for 2018 and 2017, respectively is directly related to this renovation.

The Playhouse-During 2017, BAYarts began restoring a building on the BAYarts Campus that makes up the land that BAYarts rents from The Cleveland Metroparks. The Playhouse will be used as additional space for the gallery, classrooms and gatherings. \$7,632 and \$0 of the total \$46,890 and \$39,585 depreciation expense and 2018 and 2017, respectively is directly related to this renovation.

See Auditors' Report

BAYARTS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 8- Line of Credit

BAYarts has applied for and been approved for a line of credit at PNC Bank. The credit line has a limit of \$100,000. The interest rate, which is a variable and based on the bank's prime commercial rate plus 1.15, was 6.26% at year end. The balance as of December 31, 2018 and 2017 was \$0. This loan is secured by a blanket lien on all business assets.

NOTE 9- Restrictions on Net Assets

Donor restricted net assets as follows:

	<u>2018</u>	<u>2017</u>
Scholarship Fund (expenditure)	\$ 5,372	\$ 5,794
Ohio Arts Council (time)	11,913	11,150
Total	<u>\$17,285</u>	<u>\$ 16,944</u>

Donor restricted net assets released by expenditures during 2018 were \$151,423. In addition, \$74,650 of donor restricted net assets were released by time. 2018 Donor restricted net assets consist of \$5,372 of cash and \$11,913 in receivables.

Donor restricted net assets released by expenditures during 2017 were \$33,829. In addition, \$54,556 of Donor restricted net assets were released by time. 2017 Donor restricted net assets consist of \$5,794 of cash and \$11,150 in receivables.

NOTE 10- Grants Awarded to BAYarts

	<u>2018</u>	<u>2017</u>
Cleveland Foundation	\$ -	\$ 6,250
Ohio Facilities Construction Commission	69,277	-
PNC Foundation	7,500	7,500
Kelvin and Eleanor Smith Foundation	-	5,000
Char and Chuck Fowler Foundation	-	3,000
Ohio Arts Council	25,825	27,299
Cuyahoga Arts and Culture	48,825	49,054
Other	<u>2,750</u>	<u>1,432</u>
Total	<u>\$154,177</u>	<u>\$ 99,535</u>

See Auditors' Report

BAYARTS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017

NOTE 11-Consignment Sales

BAYarts sells consignment artwork of local artists. The artist receives 60% of the sale and BAYarts receives 40% of the sale. Consignment sales are shown net of \$94,079 and \$79,556 for 2018 and 2017, respectively, which was paid to the individual artists.

NOTE 12- Fundraising-Related Party Transactions

BAYarts holds an annual fall event for fund-raising purposes. The revenue raised is shown net of direct expenses and is calculated as follows:

For 2018 events:

Gross revenue		Direct expenses	
Ticket sales	\$ 47,070	Food and beverages	\$ 10,536
Other collections	750	Rentals	13,313
Raffle tickets	1,303	Labor	5,000
Wine pull	-	Mobile bidding	5,143
Silent auction	<u>15,255</u>	Other miscellaneous	<u>7,437</u>
Total Gross Revenue	\$ 64,378	Total direct expenses	\$ 41,429
	Net proceeds from fall event	\$22,949	
	Other event (net)	<u>8,867</u>	
	Total fundraising	<u>\$ 31,816</u>	

For 2017 events:

Gross revenue		Direct expenses	
Ticket sales	\$ 37,100	Food and beverages	\$ 8,625
Other collections	150	Rentals	8,629
Raffle tickets	840	Labor	3,700
Wine pull	2,160	Mobile bidding	3,430
Silent auction	<u>10,589</u>	Other miscellaneous	<u>7,922</u>
Total Gross Revenue	\$ 50,839	Total direct expenses	\$ 32,306
	Net proceeds from fall event	\$18,533	
	Other event (net)	<u>13,306</u>	
	Total fundraising	<u>\$ 31,839</u>	

BAYarts collected an additional \$47,128 and \$61,322 during 2018 and 2017, respectively, in corporate sponsorships (included in contributions in the financial statements).

See Auditors' Report

BAYARTS  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017

NOTE 13- Leases

BAYarts leases its office and gallery from the Cleveland Metroparks. BAYarts is not required to pay any fee for rent; however, it is required to pay all utilities. This lease agreement is valid as long as BAYarts maintains its exempt mission.

BAYarts also sublets part of its space to a for-profit restaurant (Vento La Trattoria). The sublease is for a period of five years expiring December 2019. Per the terms of the sublease, the restaurant pays all of its own utilities and is required to pay BAYarts \$715/month.

BAYarts also leases office equipment. The lease requires monthly lease payments of \$209 through December 2020. The following is a schedule of the minimum future payments:

2019	\$ 2,505
2020	2,505
2021	-
2022	-
2023	-
Thereafter	-
	<u>\$ 5,010</u>

NOTE 14- Income Taxes

BAYarts is a not-for-profit organization exempt from income taxes under section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been reported in the financial statements.

NOTE 15- Subsequent Events

BAYarts has evaluated subsequent events through February 20, 2019; which is the date the financial statements were available to be issued.

NOTE 16-Contingent Liabilities

It is the policy of the organization to make sick days available as they accrue. The allowed number of sick days is based on an allowance for each year of service and can accumulate to a maximum amount and will be carried forward. Since there is no requirement that the employee be compensated for unused absences upon separation of employment, no liability is reported as of December 31, 2018 or 2017.

See Auditors' Report

BAYARTS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 17-Pension Plan

BAYarts has established an employee benefit plan under which employees can make elective deferrals as provided for under Internal Revenue Code section 403 B. BAYarts is required to match 100% of the first 3% of each participant's salary. BAYarts matched \$8,491 and \$7,732 in employee contributions, for 2018 and 2017, respectively.

NOTE 18-Restatement

Certain amounts in 2017 have been reclassified to conform to the 2018 presentation. These reclassifications had no effect on previously reported results of operations.

NOTE 19-Liquid Assets Available for General Expenditures

BAYarts policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. All of the current assets, shown on the Organization's Statement of Financial Position, are available for general expenditures within one year of the date of the financial statements, with the exception of current assets restricted or designated for specific purposes, as described in Note 9-Restrictions on Net Assets. Of course, receivables are subject to implied time restrictions but are expected to be collected within one year.

See Auditors' Report