



AUDITED
FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

BAYarts

INDEX

DECEMBER 31, 2023

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BAYarts

Opinion

We have audited the accompanying financial statements of BAYarts, which comprise the statement of financial position as of December 31, 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 BAYarts as of December 31, 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 BAYarts 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 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 BAYarts' 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, including omissions, 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 BAYarts' 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, on our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BAYarts' 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 matters that we identified during the audit.

Emphasis of Matter

The financial statements of BAYarts as of December 31, 2022 were audited by other auditors whose report dated April 3, 2023 expressed an unmodified opinion on those statements.

Report on Summarized Comparative Information

The prior-year summarized comparative information has been derived from BAYarts' 2022 financial statements and, as described above, other auditors expressed an unmodified opinion on those financial statements.

Cleveland, Ohio
June 6, 2024

H&J
Certified Public Accountants

BAYarts

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

ASSETS	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2023	2022
CURRENT ASSETS				
Cash, Cash Equivalents and Restricted Cash	\$ 336,474	\$ 117,209	\$ 453,683	\$ 671,010
Accounts Receivable	13,280	-	13,280	4,000
Total Current Assets	<u>349,754</u>	<u>117,209</u>	<u>466,963</u>	<u>675,010</u>
FIXED ASSETS	1,413,091	-	1,413,091	965,851
INVESTMENTS	<u>24,249</u>	<u>-</u>	<u>24,249</u>	<u>13,365</u>
Total Assets	<u>\$ 1,787,094</u>	<u>\$ 117,209</u>	<u>\$ 1,904,303</u>	<u>\$ 1,654,226</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 126,558	\$ -	\$ 126,558	\$ 15,361
Deferred Revenue	30,001	-	30,001	31,932
Deposits	650	-	650	650
Total Current Liabilities	<u>157,209</u>	<u>-</u>	<u>157,209</u>	<u>47,943</u>
NET ASSETS				
Without Donor Restrictions:				
Operating	1,605,636	-	1,605,636	1,243,571
Board-Designated	24,249	-	24,249	13,365
With Donor Restrictions	-	117,209	117,209	349,347
Total Net Assets	<u>1,629,885</u>	<u>117,209</u>	<u>1,747,094</u>	<u>1,606,283</u>
Total Liabilities and Net Assets	<u>\$ 1,787,094</u>	<u>\$ 117,209</u>	<u>\$ 1,904,303</u>	<u>\$ 1,654,226</u>

See accompanying notes.

BAYarts

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2023	2022
PUBLIC SUPPORT AND REVENUE				
PUBLIC SUPPORT				
Grants and Contributions	\$ 172,218	\$ 187,222	\$ 359,440	\$ 338,251
Donated Services and Material	-	112,391	112,391	5,000
Special Events, Net	62,345	-	62,345	66,410
Interest Income	95	-	95	50
Net Assets Released from Restrictions	531,751	(531,751)	-	-
	<u>766,409</u>	<u>(232,138)</u>	<u>534,271</u>	<u>409,711</u>
REVENUE				
Educational Programming	483,067	-	483,067	432,836
Gallery and Shop	151,537	-	151,537	117,779
Rental Income and Other	80,320	-	80,320	73,496
	<u>714,924</u>	<u>-</u>	<u>714,924</u>	<u>624,111</u>
TOTAL PUBLIC SUPPORT AND REVENUE	1,481,333	(232,138)	1,249,195	1,033,822
EXPENSES				
Programs	949,682	-	949,682	640,844
Management and General	113,207	-	113,207	58,236
Fundraising	46,880	-	46,880	104,157
	<u>1,109,769</u>	<u>-</u>	<u>1,109,769</u>	<u>803,237</u>
TOTAL EXPENSES	1,109,769	-	1,109,769	803,237
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES				
	371,564	(232,138)	139,426	230,585
NON-OPERATING ACTIVITIES				
Investment Gain (Loss)	1,385	-	1,385	(355)
CHANGE IN NET ASSETS	372,949	(232,138)	140,811	230,230
NET ASSETS - BEGINNING OF YEAR	<u>1,256,936</u>	<u>349,347</u>	<u>1,606,283</u>	<u>1,376,053</u>
NET ASSETS - Ending	<u>\$ 1,629,885</u>	<u>\$ 117,209</u>	<u>\$ 1,747,094</u>	<u>\$ 1,606,283</u>

See accompanying notes.

BAYarts

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

	PROGRAM	MANAGEMENT AND GENERAL	FUND RAISING	2023	2022
EXPENSES					
Salaries	\$ 174,795	\$ 59,650	\$ 41,110	\$ 275,555	\$ 210,648
Payroll Taxes	20,067	6,137	1,293	27,497	22,698
Fringe Benefits	4,148	1,416	976	6,540	5,842
	<u>199,010</u>	<u>67,203</u>	<u>43,379</u>	<u>309,592</u>	<u>239,188</u>
Contracted Instructors	205,415	-	-	205,415	124,098
Shop Expense	110,261	-	-	110,261	52,455
Facility Expense	66,633	1,374	687	68,694	38,947
Gallery Expense	62,674	-	-	62,674	58,084
Depreciation	56,387	1,163	581	58,131	45,430
Utilities	51,725	1,066	533	53,324	56,344
Marketing and Advertising	49,522	2,606	-	52,128	47,426
Rent-Related Expense	46,004	-	-	46,004	39,918
Education Supplies	45,208	-	-	45,208	29,886
Office Expense	26,194	3,082	1,541	30,817	18,807
Credit Card and Bank Charges	-	29,741	-	29,741	21,969
Insurance	15,252	1,457	-	16,709	21,023
Equipment Rental and Maintenance	15,397	317	159	15,873	4,669
Professional Fees	-	5,198	-	5,198	4,993
	<u>949,682</u>	<u>113,207</u>	<u>46,880</u>	<u>1,109,769</u>	<u>803,237</u>
TOTAL EXPENSES	<u>\$ 949,682</u>	<u>\$ 113,207</u>	<u>\$ 46,880</u>	<u>\$ 1,109,769</u>	<u>\$ 803,237</u>

See accompanying notes.

BAYarts

STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 140,811	\$ 230,230
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Loss (Gain) on Investments	(884)	405
Depreciation	58,131	45,430
Capitalized In-Kind Services and Material	(112,391)	-
Changes in:		
Accounts Receivable	(9,280)	8,801
Accounts Payable and Accrued Expenses	37,175	(2,359)
Deferred Revenue	(1,931)	(30,799)
Total Adjustments	(29,180)	21,478
Cash Provided by Operating Activities	111,631	251,708
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(10,000)	-
Capital Expenditures	(318,958)	(13,223)
Cash Used by Investing Activities	(328,958)	(13,223)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(217,327)	238,485
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	671,010	432,525
Cash, Cash Equivalents and Restricted Cash - End of Year	\$ 453,683	\$ 671,010
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Operating Cash	\$ 336,474	\$ 339,320
Restricted for Capital Campaign	117,209	331,690
	\$ 453,683	\$ 671,010
Construction in Process in Accounts Payable	\$ 74,022	\$ -

See accompanying notes.

BAYarts

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

1. NATURE OF THE ORGANIZATION

The mission of BAYarts is to provide a welcoming lakeside environment to stimulate, encourage and support professional and aspiring artists of all ages through collaboration, education and exhibition.

BAYarts is in the Huntington Reservation in Cleveland Metroparks, located in Bay Village, Ohio near the border of Cuyahoga and Lorain Counties. BAYarts campus includes the John Huntington House, the Irene Lawrence Fuller House, the Station House subleased by Chatty's Pizzeria, the former Huntington Playhouse, and an historic caboose. The 100 acre park, known as the Huntington Reservation, was formerly the summer estate of John Huntington, inventor, industrialist and key founder of the Cleveland Art Museum. It was purchased by the Cleveland Metroparks in 1925 and became the home of Baycrafter's (the predecessor to BAYarts) in 1962.

BAYarts' primary purpose is to offer high quality visual arts education programming in a variety of mediums for preschoolers to adults and to engage the community through free cultural events including rotating gallery exhibitions in three galleries, a summer art and music festival, a summer concert and performance series and a seasonal weekly farm+art market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

BAYarts classifies its net assets and revenues, expenses, gains and losses on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of BAYarts and changes therein are classified as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BAYarts. BAYarts board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of BAYarts or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BAYarts' financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Certain amounts in the prior-year summarized comparative information have been reclassified to be consistent with the presentation in the current-year financial statements. These classifications had no impact on changes in net assets as previously presented.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BAYarts

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

CASH AND CASH EQUIVALENTS/CONCENTRATION OF RISK

Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 for all combined deposits at the same bank. At December 31, 2023, BAYarts' cash balances exceeded federally insured limits by approximately \$197,000. BAYarts has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

Primarily all of BAYarts' revenues and receivables are from donors, patrons and agencies located in northeastern Ohio.

BAYarts also invests funds in a professionally managed portfolio that contains various securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. The investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

RECEIVABLES AND CREDIT POLICIES

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit 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. Management evaluated receivables as of December 31, 2023 and has determined that an allowance for doubtful accounts is immaterial to these financial statements.

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). BAYarts groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

These levels are:

- | | |
|---------|--|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date. |
| Level 2 | Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none"> • Quoted prices for similar assets/liabilities in active markets; • Quoted prices for identical or similar assets in non-active markets; • Inputs other than quoted prices that are observable for the asset/liability; and, • Inputs that are derived principally from or corroborated by other observable market data. |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

FIXED ASSETS

Costs of fixed assets are charged against income over their estimated useful lives using straight line methods for financial reporting purposes. The policy of BAYarts is to capitalize personal property purchases over \$5,000 and real property purchases over \$10,000. The estimated useful lives are as follows:

- Facilities under License Agreement – 15 to 39 years
- Furniture and Fixtures – 5 to 10 years

Repairs and maintenance, which are not considered betterments and do not extend the useful life of property, are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in income.

COMPENSATED ABSENCES

Employees of BAYarts are entitled to paid vacations, sick days and personal days off depending on job classification, length of service and other factors. BAYarts' policy is to recognize the costs of compensated absences when actually paid to employees. The effect of this method instead of accruing these costs is minimal in 2023 and 2022.

DEFERRED REVENUE

BAYarts records deferred revenue for class fees and event rental deposits received for the following year. Rental deposits on cancelled events are non-refundable. Deferred revenue also includes unredeemed gift certificates which have no expiration date.

REVENUE AND REVENUE RECOGNITION

BAYarts recognizes revenue from visual arts programming fees at the time the class takes place.

Unconditional donor promises to give are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by BAYarts. The gifts are reported as either net assets without donor restriction or net assets with donor restriction if they are received with donor stipulations that sufficiently limit the use of the donated assets. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported on the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restriction; otherwise, the contributions are recorded as net assets without donor restriction. BAYarts recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

Contributed income of cash or other assets that must be used to acquire long-lived assets are recorded as contributions with donor restrictions and grants until the assets are acquired and placed in service.

Gains and losses on investments are reported as increases or decreases to net assets without donor restrictions unless their use is restricted by donor-imposed stipulation or by state law.

BAYarts records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

BAYarts recognizes in-kind services in accordance with applicable accounting standards if the services received (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed goods and services were as follows:

	2023	2022
Construction Management	\$ 96,000	\$ -
Building Materials	16,391	-
Music Instrument	-	5,000
	\$ 112,391	\$ 5,000

In addition, BAYarts receives services from a large number of volunteers who give significant amounts of their time to BAYarts' programs, fundraising campaigns, and management. No amounts have been reflected for these types of donated services as they do not meet the criteria for recognition.

ADVERTISING

Advertising costs are expensed when incurred.

FUNCTIONAL EXPENSE ALLOCATION

Expenses are charged to functional areas based on specific identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on factors such as direct relationship of expenses, time spent by employees, and square footage of space used for various programs.

INCOME TAXES

BAYarts is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. BAYarts currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

3. LICENSE – CLEVELAND METROPARKS

BAYarts licenses all of its facilities from the Cleveland Metropolitan Park District (Cleveland Metroparks). The license agreement was amended in 2022 to (1) extend the term of the license to December 31, 2024, (2) provided BAYarts an option to renew the license to December 31, 2039 if BAYarts completes \$750,000 of capital improvements before December 31, 2039 and (3) provide BAYarts an additional option to renew the license to December 31, 2049 if BAYarts (i) completes the first \$750,000 of capital improvements and (ii) commits in writing to complete an additional \$750,000 of capital improvements no later than December 31, 2049 in the absence of the valid exercise of either of these renewal options, the license renews automatically renews for two (2) year successive periods for so long as BAYarts and Cleveland Metroparks may mutually agree. Under the terms of the license, BAYarts pays no license fee but is required to pay all of the costs associated with the operation and maintenance of the licensed facilities through December 31, 2039.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

4. INVESTMENTS

The fair value of investment assets, measured on a recurring basis at December 31 are as follows:

	Fair Value Measurements Using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>2023</u>				
Pooled Investments	\$ -	\$ 24,249	\$ -	\$ 24,249
<u>2022</u>				
Pooled Investments	\$ -	\$ 13,365	\$ -	\$ 13,365

The following schedule summarizes the investment return in the statement of changes in net assets for the years ended December 31:

	2023	2022
Unrealized Gain (Loss)	\$ 1,635	\$ (105)
Investment Fees	(250)	(250)
	<u>\$ 1,385</u>	<u>\$ (355)</u>

5. FIXED ASSETS

Fixed assets at December 31 consist of the following:

	2023	2022
Ryel Ceramic Studio	\$ 554,182	\$ 554,182
CIP - Playhouse Expansion	488,261	81,931
Fuller House	427,100	427,100
Playhouse	180,698	180,698
CIP - Playhouse Expansion - Donated	112,391	-
Gallery	70,815	70,815
Furniture and Equipment	57,137	57,137
Other Fixed Asset	-	13,350
	<u>1,890,584</u>	<u>1,385,213</u>
Less Accumulated Depreciation	<u>(477,493)</u>	<u>(419,362)</u>
	<u>\$ 1,413,091</u>	<u>\$ 965,851</u>

6. LINE OF CREDIT

BAYarts has a \$100,000 line of credit with its bank, expiring May 29, 2025 and bearing an interest rate of the bank's prime rate plus 1.60% (effective rate is 10.01%) at December 31, 2023. There were no borrowings on the line in 2023 and 2022.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

7. NET ASSETS - BOARD-DESIGNATED FUND

BAYarts maintains a board-designated fund at the Cleveland Foundation to create asset balances to allow for shortfalls from economic fluctuations, single or multi-year project opportunities, or capital expenditures. All withdrawals from the account require Board approval. Investment income, loss and investment management fees accrue to the Fund. The fund is not considered to be an endowment-type fund.

Changes in board-designated net assets:

Board-Designated Net Assets - January 1, 2022	\$	13,770
Contributions		-
Investment Return, Net		(405)
Appropriation of Assets for Expenditure		-
Board-Designated Net Assets - December 31, 2022		<u>13,365</u>
Contributions		10,000
Investment Return, Net		884
Appropriation of Assets for Expenditure		-
Board-Designated Net Assets - December 31, 2023	\$	<u><u>24,249</u></u>

8. NET ASSETS WITH DONOR RESTRICTIONS

At December 31 net assets with donor restrictions were as follows:

	2023			
	BEGINNING NET ASSETS	CONTRIBUTIONS	NET ASSETS RELEASED FROM RESTRICTION	ENDING NET ASSETS
Playhouse Campus Expansion	331,690	284,218	(518,721)	97,187
Operations	13,030	14,395	(13,030)	14,395
Scholarship Fund	4,627	1,000	-	5,627
	<u>\$ 349,347</u>	<u>\$ 299,613</u>	<u>\$ (531,751)</u>	<u>\$ 117,209</u>
	2022			
	BEGINNING NET ASSETS	CONTRIBUTIONS	NET ASSETS RELEASED FROM RESTRICTION	ENDING NET ASSETS
Playhouse Campus Expansion	106,420	225,270	-	331,690
Operations	13,030	13,030	(13,030)	13,030
Scholarship Fund	4,627	-	-	4,627
	<u>\$ 124,077</u>	<u>\$ 238,300</u>	<u>\$ (13,030)</u>	<u>\$ 349,347</u>

BAYarts

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

9. SPECIAL EVENTS

Major fundraising activities are as follows:

	2023	2022
Gross Income	\$ 141,416	\$ 92,864
Less: Direct Donor Benefits	(79,071)	(26,454)
Net Special Events	\$ 62,345	\$ 66,410

10. RENTAL REAL ESTATE INCOME

BAYarts su-leases the use of a portion of its licensed property at approximately \$1,000 per month with varying expiration dates through 2039, with a renewal option to December 31, 2049. Rental income is reported as earned over the term of the operating lease.

11. RETIREMENT PLAN

Salaried employees may elect to participate in a SIMPLE IRA program set up by BAYarts. BAYarts will match 100% of the salaried employees' contribution up to 3% of the employee's salary. Contributions to the plan amounted to approximately \$6,500 (2023) and \$5,800 (2022).

12. AVAILABILITY AND LIQUIDITY

The following represents BAYarts' financial assets available to meet general expenditures over the next twelve months:

	2023	2022
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 453,683	\$ 671,010
Receivables	13,280	4,000
Investments	24,249	13,365
Total Financial Assets	491,212	688,375
Less Amounts not Available to be Used Within One Year:		
Net Assets with Donor Restrictions - Cash	(102,814)	(318,660)
Net Assets without Donor Restrictions - Board-Designated	(24,249)	(13,365)
	(127,063)	(332,025)
Financial Assets Available to meet General Expenditures Over the Next Twelve Months	\$ 364,149	\$ 576,645

Financial assets are considered unavailable when illiquid, not convertible to cash within one year, or restricted by donors either for long-term purposes or for use in a certain time period. BAYarts has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2023, because restrictions on the net assets are expected to be met by conducting normal activities of its programs in the coming year.

BAYarts is substantially supported by contributions and grants and depends on contributions without restrictions to meet its ongoing obligations. As part of BAYarts' liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. BAYarts invests cash in excess of daily requirements in short-term investments.

Additionally, BAYarts has board-designated net assets without donor restrictions that, while BAYarts does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.

BAYarts

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

13. CHANGE IN FUNCTIONAL EXPENSE ALLOCATION METHODOLOGY

During the year ended December 31, 2023, BAYarts changed its methodology for the functional allocation of expenses. This change was made to better reflect the actual use of resources and to provide a more accurate representation of the costs associated with each functional area.

The impact of this change on the prior year's financial statements is not presented, as it is impracticable to retrospectively apply the new allocation method to prior periods. BAYarts believes that the new allocation method provides a more accurate and transparent depiction of functional expenses.

14. SUBSEQUENT EVENTS

In preparing these financial statements, BAYarts has evaluated events and transactions for potential recognition or disclosure through June 6, 2024, the date the financial statements were available to be issued.