

PACIFIC ARTS MOVEMENT
GENERAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2014

PACIFIC ARTS MOVEMENT

CONTENTS

Independent Auditor's Report on
General Purpose Financial Statements..... 1

General Purpose Financial Statements:

- Statement of Financial Position..... 3
- Statement of Activities and Changes in Net Assets 4
- Statement of Cash Flows 6
- Statement of Functional Expenses..... 7
- Notes to General Purpose Financial Statements..... 8

INDEPENDENT AUDITOR'S REPORT
ON GENERAL PURPOSE FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF
PACIFIC ARTS MOVEMENT

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific Arts Movement (a California non-profit corporation) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, statement of cash flows and statement of functional expenses for the year then ended, and the related notes to the general purpose 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.

Auditor's 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 auditor's 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 circumstances, 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 presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT
ON GENERAL PURPOSE FINANCIAL STATEMENTS
CONTINUED

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 Pacific Arts Movement as of December 31, 2014, 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.

Goodsell & Company Inc., CPAs
April 30, 2015

PACIFIC ARTS MOVEMENT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS:

CURRENT ASSETS

Cash and Cash Equivalents	\$ 457,181
Unconditional Promises to Give	62,447
Investments	44,598
Prepaid Expenses	<u>2,445</u>
TOTAL CURRENT ASSETS	<u>566,671</u>

FIXED ASSETS

Computer Equipment	41,076
Office Furniture and Equipment	6,793
Video Equipment	22,071
Accumulated Depreciation	<u>(64,273)</u>
	5,667

DEPOSITS

4,512

TOTAL ASSETS

\$ 576,850

LIABILITIES AND NET ASSETS:

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 10,600
Accrued Wages and Payroll Taxes	12,817
Accrued Rent	<u>9,521</u>
TOTAL CURRENT LIABILITIES	32,938

NET ASSETS

Unrestricted	478,912
Temporarily Restricted	<u>65,000</u>
TOTAL NET ASSETS	<u>543,912</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 576,850

See Accompanying Notes and Independent Auditor's Report

PACIFIC ARTS MOVEMENT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

UNRESTRICTED NET ASSETS:

Revenue, Gains, and Other Support	
Programs:	
Film Festivals	\$ 559,582
Gala and Silent Auction	32,475
Donations	81,265
Memberships	94,967
Other Revenues	
Government Grants	45,630
Other Grants	64,750
Other	12,135
Investment Income	1,302
TOTAL UNRESTRICTED REVENUES	<u>892,106</u>
Net Assets Released From Restrictions	40,000
TOTAL UNRESTRICTED REVENUE AND OTHER SUPPORT	<u>932,106</u>
EXPENSES:	
Program Services:	
Film Festival	374,094
Mobile Cinema	14,430
Reel Voices	69,645
Spring Showcase	123,800
Other Programs	7,762
TOTAL PROGRAM SERVICES	<u>589,731</u>
Supporting Services:	
Management and General	132,351
Fund Raising	132,740
TOTAL SUPPORTING SERVICES	<u>265,091</u>
TOTAL EXPENSES	<u>854,822</u>
INCREASE IN UNRESTRICTED NET ASSETS	77,284

TEMPORARILY RESTRICTED NET ASSETS	
Grants - Other	65,000
Grants - Other Removed from Temporary Restrictions	<u>(40,000)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>25,000</u>
INCREASE IN NET ASSETS	102,284
NET ASSETS AT BEGINNING OF YEAR	<u>441,628</u>
NET ASSETS AT END OF YEAR	<u>\$ 543,912</u>

See Accompanying Notes and Independent Auditor's Report

PACIFIC ARTS MOVEMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets \$ 102,284

Adjustments to Reconcile Change in Net Assets to Net Cash

Provided (Used) by Operating Activities:

Depreciation expense 3,928
Donation of equity securities (4,892)

(Increase) decrease in current assets:

Unconditional promises to give 62,531
Prepaid expenses 1,241

Increase (decrease) in current liabilities

Accounts payable (5,822)
Accrued wages 1,334
Fiscal sponsorships (41,459)
Accrued rent (861)

NET CASH PROVIDED BY OPERATING ACTIVITIES 118,284

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments (4,809)

NET CASH USED BY INVESTING ACTIVITIES (4,809)

NET DECREASE IN CASH 113,475

CASH AT BEGINNING OF YEAR 343,706

CASH AT END OF YEAR \$ 457,181

See Accompanying Notes and Independent Auditor's Report

PACIFIC ARTS MOVEMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services					Total Program Services
	Film Festival	Mobile Cinema	Reel Voices	Spring Showcase	Other	
Personnel Expenses	\$ 203,010	\$	\$ 40,602	\$ 81,203	\$	\$ 324,815
Outside Services	29,767	10,423	16,067	3,073	2,451	61,781
Equipment Rental	54,788	54		24,631	4,454	83,927
Food & Beverage	12,649		182	633	362	13,826
Operating Expenses	4,430	729	7,809	822	178	13,968
Occupancy Expenses	20,759		4,152	8,303		33,214
Printing & Repro Expense	20,181			2,143	55	22,379
Travel Expense	18,348	257		1,105		19,710
Miscellaneous Expense						
Supplies	8,570	2,906	522	1,063	140	13,201
Office Expenses	1,592	61	311	824	122	2,910
	<u>\$ 374,094</u>	<u>\$ 14,430</u>	<u>\$ 69,645</u>	<u>\$ 123,800</u>	<u>\$ 7,762</u>	<u>\$ 589,731</u>

	Total	Management		Total Expenses
	Program Services	Fund Raising	and General	
Personnel Expenses	\$ 324,815	\$ 40,602	\$ 40,602	\$ 406,019
Outside Services	61,781	16,560	28,500	106,841
Equipment Rental	83,927		(60)	83,867
Food & Beverage	13,826	46,156	3,742	63,724
Operating Expenses	13,968	948	37,594	52,510
Occupancy Expenses	33,214	4,152	4,152	41,518
Printing & Repro Expense	22,379	162	1,424	23,965
Travel Expense	19,710	15,693	1,177	36,580
Miscellaneous Expense			82	82
Supplies	13,201	7,916	624	21,741
Office Expenses	2,910	551	14,514	17,975
	<u>\$ 589,731</u>	<u>\$ 132,740</u>	<u>\$ 132,351</u>	<u>\$ 854,822</u>

See Accompanying Notes and Independent Auditor's Report

PACIFIC ARTS MOVEMENT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE A -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Pacific Arts Movement (“Pac-Art”) is a California non-profit corporation. Pac-Art’s mission is to educate the community about the rich diversity of the Asian Pacific Islander culture through films and videos. This mission is accomplished through both the Pac-Art’s annual film festival held each October as well as through its work with local schools. Pac-Art offers student internships, cultural literacy programs with area high schools and colleges, and a nurturing environment for artists in San Diego, California. Throughout the year, special events are held such as the Cinema and Performers Showcases that highlight Asian and Asian American cultures and talents.

Cash and Cash Equivalents: Pac-Art considers all highly liquid debt instruments with a maturity of 90 days or less to be cash equivalents. Bank overdrafts are excluded from cash and cash equivalents.

Investments: Pac-Art invests in publicly traded equity securities which are carried at fair market value. Thus, both realized and unrealized gains and losses are recorded in the Statement of Changes in Net Assets.

Fixed Assets: Fixed assets are stated at cost. Items with a purchase cost of less than \$300 are expensed. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets; seven years for furniture and five years for equipment. Major renewals and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation expense for the year ended December 31, 2014 was \$3,928.

Public Support and Revenue: Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. An allowance for uncollectible promises is provided based on management’s evaluation of potential uncollectible promises receivable at year end.

Restricted contributions whose restrictions are met in the same reporting period as when the contribution is recorded are recorded as unrestricted contributions. Any portion of the restricted contribution that is not expended in the current year is recorded as temporarily restricted contributions.

Contributed Services: Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

See Independent Auditor’s Report

PACIFIC ARTS MOVEMENT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE A -- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Contributed Services (continued): Pac-Art receives a significant amount of donated services from unpaid volunteers. No amounts have been recognized in the statement of activities for these donated services because the criteria for recognition under FASB ASC Section 958-605-25 *Not-for-Profit Entities* have not been satisfied.

Fiscal Sponsorships: Pac-Art offers its legal and tax-exempt status to groups or individuals who are engaged in activities related to Pac-Art's mission. These groups or individuals do not have the resources to establish their own 501(c)(3) entity. Therefore, they use Pac-Art as a conduit. Donors to these groups or individuals donate money to Pac-Art. Those donations are tax deductible. In return for the use of its tax-exempt status Pac-Art charges a fee which is usually 10% of the donation. In cases where the terms of the donation require the money to be disbursed over time, Pac-Art establishes a current liability to show the net amount that is due. At December 31, 2014, Pac-Art had paid out all of the fiscal sponsorship money that it had received.

Income Taxes: Pac-Art is a non profit organization that is exempt from Federal and California taxes on income under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates: The preparation of financial statements in conformity with GAAP 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.

Subsequent Events: Management evaluates data and events for potential subsequent event disclosure through the date the financial statements were available to be issued which was April 30, 2015.

NOTE B -- UNCONDITIONAL PROMISES TO GIVE

All unconditional promises to give are receivable within one year from December 31, 2014. No allowance for uncollectible unconditional promises to give was considered necessary at December 31, 2014.

See Independent Auditor's Report

PACIFIC ARTS MOVEMENT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE C -- NON CASH CONTRIBUTIONS

During the year ended December 31, 2014, Pac-Art recognized contribution revenue in the amount of \$300 for in kind donations of goods and services which were donated by individuals and businesses.

For professional services the amounts recognized as contribution income are based on the number of hours contributed at their standard hourly rates. Donations of goods are recognized at fair market value as of the date of gift.

During the year ended December 31, 2014, the net unrealized loss on the equity investments was \$135. Donations of equity securities for the year ended December 31, 2014 were \$4,892.

NOTE D -- COMMITMENTS AND CONTINGENCIES

On March 1, 2011, Pac-Art moved into new office space. The lease was for five years and expires on February 29, 2016. The lease calls for no rent to be paid for March 2012, 2013, and 2014. The remaining monthly payments per the lease are as follows:

<u>Year Ended February 28,</u>	<u>Amount</u>
2015	\$ 3,670
2016	\$ 3,854

The total payments under the lease will be \$200,820. This amount will be expensed equally over the sixty months of the lease at the rate of \$3,347 per month. Annual expenses under the lease are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2015	\$ 45,878
2016	<u>7,707</u>
	<u>\$ 53,585</u>

Rental expense for the year ended December 31, 2014, was \$40,164 plus \$1,353 in property taxes for office rent and \$7,725 for equipment rent.

PACIFIC ARTS MOVEMENT

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE D -- COMMITMENTS AND CONTINGENCIES (continued)

Pac-Art maintains two bank accounts with the same bank. At December 31, 2014, the total of these two accounts exceeded the \$250,000 Federal Deposit Insurance Corporation's insurance limit by \$110,337.

NOTE E – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014, Pac-Art paid a \$10,000 employee recruitment fee. One of the co-owners of the recruitment firm is married to Pac-Art's executive director.