

LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON

REVIEW REPORT

DECEMBER 31, 2021

Prepared by
Signe Grimstad
Certified Public Accountant
530 NW 3rd St., Suite E
PO Box 1930
Newport, OR 97365

**LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON**

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Dorcas Holzapfel	President
Adrienne Green	Vice President
Dennis Civiello	Treasurer
Binaya Dangol	Secretary
Laury Girt	Director
Greg Burton (resigned December 2021)	Director

STAFF

Niki Price	Executive Director
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REGISTERED OFFICE ADDRESS

540 NE Hwy 101
Lincoln City, Oregon 97367

**LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON**

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GRIMSTAD & ASSOCIATE

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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To the Board of Directors and
Niki Price, Executive Director
Lincoln City Cultural Center, Inc.
540 NE Hwy 101
Lincoln City, Oregon 97367

I have reviewed the accompanying financial statements of Lincoln City Cultural Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

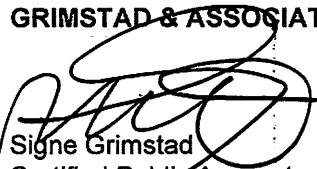
I am required to be independent of Lincoln City Cultural Center and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Sincerely,

GRIMSTAD & ASSOCIATE


Signe Grimstad
Certified Public Accountant
Newport, Oregon
July 29, 2022

LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON

STATEMENT OF FINANCIAL POSITION
as of December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 347,885	\$ 623,583	\$ 971,468
Designated cash	189,120	-	189,120
Subtotal cash	537,005	623,583	1,160,588
Promises to give	-	2,618	2,618
Prepaid expense	1,139	-	1,139
Inventory	3,859	-	3,859
Total current assets	542,003	626,201	1,168,204
Property and equipment			
Property and equipment, at cost	1,315,847	-	1,315,847
Less: Accumulated depreciation	(422,011)	-	(422,011)
Net fixed assets	893,836	-	893,836
Other assets			
Costco stock	2,839	-	2,839
Deposits	100	-	100
Total other assets	2,939	-	2,939
Total assets	\$ 1,438,778	\$ 626,201	\$ 2,064,979
Liabilities and net assets			
Current liabilities			
Accounts payable	\$ 50,541	\$ -	\$ 50,541
Payroll liability	7,019	-	7,019
Deferred revenue	4,120	-	4,120
Total current liabilities	61,680	-	61,680
Net assets			
Net assets without donor restrictions	1,187,978	-	1,187,978
Designated			
Chessman development fund	30,601	-	30,601
Operating reserve	40,083	-	40,083
Maintenance reserve	25,785	-	25,785
Cultural Plaza Campaign	92,651	-	92,651
Net assets with donor restrictions			
Cultural Plaza Campaign	-	560,216	560,216
Other	-	65,985	65,985
Total net assets	1,377,098	626,201	2,003,299
Total liabilities and net assets	\$ 1,438,778	\$ 626,201	\$ 2,064,979

LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON

STATEMENT OF ACTIVITIES
for the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support:			
Grants	\$ 36,587	\$ 263,936	\$ 300,523
Government grants, federal	274,389	-	274,389
Contributions	98,696	133,524	232,220
Contributions in-kind	61,308	-	61,308
Total support	<u>470,980</u>	<u>397,460</u>	<u>868,440</u>
Revenues:			
Program services	149,542	-	149,542
Rental income	34,691	-	34,691
Membership dues	11,245	-	11,245
Food service sales, net	13,939	-	13,939
Other income	21	-	21
Special events, net	4,514	-	4,514
Bank interest	1,462	-	1,462
Investment income	970	-	970
Total revenues	<u>216,384</u>	<u>-</u>	<u>216,384</u>
Total support and revenues	687,364	397,460	1,084,824
Reclassifications:			
Net assets with donor restrictions, released from restrictions	<u>185,350</u>	<u>(185,350)</u>	<u>-</u>
Total support, revenues and reclassifications	<u>872,714</u>	<u>212,110</u>	<u>1,084,824</u>
Expenses:			
Program services:			
Cultural and art events	422,376	-	422,376
Support services:			
Management and general	127,692	-	127,692
Fundraising	61,998	-	61,998
Total expenses	<u>612,066</u>	<u>-</u>	<u>612,066</u>
Change in net assets	260,648	212,110	472,758
Net assets at beginning of fiscal year	<u>1,116,450</u>	<u>414,091</u>	<u>1,530,541</u>
Net assets at end of fiscal year	<u>\$ 1,377,098</u>	<u>\$ 626,201</u>	<u>\$ 2,003,299</u>

LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON

STATEMENT OF FUNCTIONAL EXPENSES FOR PROGRAM AND SUPPORT SERVICES
for the Year Ended December 31, 2021

	Program	Support Services		Total
	Services	Management	Fundraising	
	Cultural and	and General	Other	Expenses
	Art Events			
Salaries and wages	\$ 92,756	\$ 38,809	\$ 20,409	\$ 151,974
Payroll taxes	8,708	3,644	1,916	14,268
Total personnel costs	101,464	42,453	22,325	166,242
Art gallery	126,134	-	-	126,134
Fiber arts	19,390	-	-	19,390
Classes	7,690	-	-	7,690
Performing arts	31,723	-	-	31,723
Community events	490	-	-	490
Advertising	625	16,454	2,516	19,595
Bad debt	-	-	1,180	1,180
Bank and credit card fees	2,871	-	3,245	6,116
Computer hardware, software, contractor	-	4,725	-	4,725
Contract services	21,330	-	-	21,330
Cost of sales	-	-	9,846	9,846
Dues and subscriptions	-	1,392	-	1,392
Equipment rental	14,310	5,438	-	19,748
Information center	-	-	-	-
Insurance	1,028	2,073	1,045	4,146
Licenses and permits	-	1,575	-	1,575
Maintenance	4,979	934	311	6,224
Memberships	-	-	152	152
Miscellaneous	-	216	-	216
Printing	345	834	1,576	2,755
Postage	-	965	787	1,752
Professional fees, accounting	-	13,604	-	13,604
Professional fees, consulting	-	12,975	-	12,975
Special event direct costs	-	-	411	411
Supplies	6,621	2,397	266	9,284
Telephone	3,010	1,806	1,204	6,020
Utilities	8,330	10,413	2,083	20,826
Travel and entertainment	-	638	-	638
Volunteer appreciation	-	1,135	-	1,135
Subtotal expenses	350,340	120,027	46,947	517,314
Contributions in-kind	30,600	5,400	25,308	61,308
Depreciation	41,436	2,265	-	43,701
Less cost of sales	-	-	(9,846)	(9,846)
Less special event direct costs	-	-	(411)	(411)
Total expenses	\$ 422,376	\$ 127,692	\$ 61,998	\$ 612,066
Percent of total expenses	69.01%	20.86%	10.13%	100.00%

LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON

STATEMENT OF CASH FLOWS
for the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Cash flows from operating activities			
Change in net assets	\$ 260,648	\$ 212,110	\$ 472,758
Adjustment to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	43,701	-	43,701
Unrealized gain on stocks	(955)	-	(955)
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	1,179	-	1,179
Grants receivable	3,174	30,951	34,125
Promises to give	-	2,618	2,618
Prepaid expenses	(149)	-	(149)
Inventory	(1,792)	-	(1,792)
Increase (decrease) in:			
Accounts payable	45,431	-	45,431
Payroll liability	5,553	-	5,553
Deferred revenue	(10,327)	(20,634)	(30,961)
Net cash provided by operating activities	346,463	225,045	571,508
Cash flows from investing activities			
Purchases of property and equipment	(59,055)	-	(59,055)
Redemptions of bank certificates of deposit	-	202,725	202,725
Net cash provided (used) by investing activities	(59,055)	202,725	143,670
Cash flows from financing activities			
Refundable advance forgiven	(30,440)	-	(30,440)
Net cash used by financing activities	(30,440)	-	(30,440)
Net increase in cash and equivalents	256,968	427,770	684,738
Cash and cash equivalents at beginning of year	280,037	195,813	475,850
Cash and cash equivalents at end of year	\$ 537,005	\$ 623,583	\$ 1,160,588

LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended December 31, 2021

NOTE 1 - DESCRIPTION OF ORGANIZATION

Nature of operations

Lincoln City Cultural Center, Inc. (LCCC) is an Oregon nonprofit corporation established in 1996. The organization began as the Lincoln City Arts Forum in 1992, then the Cultural Communities Cultural Center in 1996. In September 2006 LCCC leased the Delake School from the city of Lincoln City and adopted its present name in 2007. Since 1929, historic Delake School has been a center for education for the children of Lincoln City and LCCC continues this tradition of people of all ages, offering classes in art, dance, music, literature, and theater. LCCC also sponsors play writing contests, fundraisers, and activities to encourage artists of all ages.

LCCC's mission is to enrich its community through art and cultural events in the historic Delake School and to support community economic development by promoting a successful center for the visual and performing arts. LCCC is supported primarily from program service revenue, contributions, grants, fundraising, rentals and management service income.

Description of programs

Cultural and art events program - uses the Delake School as a center for learning, with gallery exhibitions, dance and musical performances, poetry readings, film festivals, creative classes, activities, exhibits and other forms of family entertainment.

Management and general - Includes the functions necessary to maintain LCCC's support program; ensure an adequate working environment; provide coordination and articulation of LCCC's program strategy through the office of the executive director; secure proper administrative functioning of the board of directors; maintain competent legal services for the program administration of LCCC; and manage the financial and budgetary responsibilities of LCCC.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, governmental units, and businesses.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

LCCC prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S.GAAP) for nonprofit entities. The significant accounting and reporting policies used by LCCC are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other accruals.

Use of estimates

The preparation of financial statements in conformity with U.S.GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, LCCC's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. LCCC's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it

LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets without donor restrictions (continued)

operates, the purposes specified in its corporate documents and its application for tax-exempt status, plus any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions

Net assets with donor restrictions are resources that are restricted by donors for use for specified purposes or in certain future periods. Some donor-imposed restrictions are temporary in nature, and the restrictions expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; LCCC must continue to use the resources in accordance with the donors' instructions.

LCCC's unspent contributions are included in this class if the donors limited their use. Currently LCCC has restricted grants and contributions which are detailed in Note 15.

When donors' restrictions are satisfied, either by using the resources in the manner specified by the donors or by the passage of time, the expiration of the restrictions are reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified assets are placed in service by LCCC, unless the donors provide more specific instructions about the period of the assets' use.

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of purchase.

Short-term Investments

LCCC invests cash in excess of its immediate needs in money market funds and bank certificates of deposit presented at the amount invested plus accrued interest.

Accounts receivable

Receivables are accounted for on the accrual basis and become past due after 30 days. No allowance for uncollectable accounts has been provided, as LCCC typically collects all outstanding amounts. Trade receivables are written off if all efforts at collection have failed and management determines that collection is unlikely. There were no receivables aged 90 days or more at December 31, 2021.

Inventory

Inventory consists of concession items valued at cost on the first-in-first-out (FIFO) basis. Cost is determined by average cost in the accompanying financial statements.

Property and equipment

Purchases of property and equipment costing \$3,000 or more are capitalized. Donated property and equipment valued at \$3,000 or more are capitalized and recorded at fair value at the time of receipt. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property

LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (continued)

sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the fiscal year of disposal. Depreciation is calculated utilizing the straight-line method over the estimated useful lives of the assets, that range from five to ten years for furniture and equipment, and ten to thirty years for leasehold improvements.

Donations of property and equipment

Donations of property and equipment (long-lived assets) that do not have donor imposed stipulations about how long the property must be used are recorded as contributions without donor restrictions in the fiscal year received.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If any long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis or other valuation technique. There was no impairment loss recognized during the year ended December 31, 2021.

Deferred revenue

Membership dues, service fees and special events receipts are recognized as revenue in the fiscal year they are earned. Amounts collected or billed for future fiscal years are recorded as deferred revenue.

Accounting for contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributions in-kind

LCCC sometimes receives contributions in a form other than cash. Donated supplies are recorded as contributions at the date of the gift and as expenses when the donated items are placed into service or distributed. If LCCC receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets LCCC's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of the gift, and the expense is reported over the term of use.

LCCC benefits from personal services provided by many volunteers. Those volunteers have donated regular amounts of time and services in LCCC's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. LCCC records the fair value of contributed services in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills; are provided by persons possessing those skills; and would need to be purchased if they were not donated as required by ASC 958. Approximately 91 volunteers donated 5,254 hours of work to LCCC's activities, valued at \$149,949 for the year ended December 31, 2021. This amount is not reflected in the accompanying financial statements because these services did not meet the above criteria.

LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation

The cost of providing LCCC's programs and other activities is summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied, as follows:

Salaries, wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

Occupancy costs such as utilities, depreciation, and rent are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

Insurance, internet, telephone, some supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Every 3 years, or more often when new space or programs are added, the bases on which costs are allocated are evaluated.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of LCCC.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. LCCC generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs are allocated between fundraising and management and general expenses in accordance with U.S. GAAP for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Advertising costs

Advertising costs are recorded as expenses of the applicable program in the period incurred.

Shipping and handling costs

Shipping and handling costs are included in cost of sales.

Income taxes

LCCC has been determined to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. LCCC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The preparation of financial statements in conformity with U.S. GAAP requires LCCC to report information regarding its exposure to various tax positions taken by LCCC. LCCC has determined whether any tax positions have met the recognition threshold and has measured any entity exposure to those tax positions. Management believes that all relevant tax positions have been adequately addressed and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed.

Fair value measurements

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that LCCC has the ability to access.

LINCOLN CITY CULTURAL CENTER, INC.

LINCOLN CITY, OREGON

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements (continued)

Level 2. Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets.

Quoted prices for identical or similar assets or liabilities in inactive markets.

Inputs other than quoted prices that are observable for the asset or liability.

Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. However, level 1 inputs are not available for some of the assets that the organization is required to measure at fair value (for example, in-kind contributions).

The primary uses of fair value measures in LCCC's financial statements are as follows:

Initial measurement of in-kind contributions.

Recurring measurement of any stock investments.

Subsequent events

Management has evaluated subsequent events through July 29, 2022, which was the date the financial statements were available to be issued.

Note 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 are presented below.

Financial assets:	<u>Amount</u>
Cash	\$ 347,885
Designated cash	189,120
Cash, restricted	623,583
Promises to give	2,618
Prepaid expenses	1,139
Inventory	<u>3,859</u>
Total financial assets	<u>1,168,204</u>
Less financial assets held to meet donor-imposed restrictions:	
Cash, restricted	(623,583)
Promises to give, restricted	(2,618)
Less financial assets not available within one year:	
Inventory	<u>(695)</u>
Total restricted financial assets	<u>(626,896)</u>
Amount available for general expenditures within one year	<u>\$ 541,308</u>

The above table lists donor-restricted assets as unavailable because donor restricted amounts cannot be spent for general expenditures. Of inventory 18% is listed as not available within one year since inventory turns over slowly for some concessions and gift items. LCCC had a \$90,000 bank line of credit to supplement cash flow cash flow when needed until its maturity in April 2022.

LINCOLN CITY CULTURAL CENTER, INC.
LINCOLN CITY, OREGON

Notes to the Financial Statements
for the Year Ended December 31, 2021

NOTE 4 - CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

LCCC's consolidated cash deposits fluctuate during each year. Accordingly, the amount of cash deposits covered by federal depository insurance also fluctuated, at times some cash deposits may be uninsured. Total cash deposits excluding reconciling items, and short-term investments in bank certificates of deposit (CDs) and the amounts of cash insured and uninsured at December 31, 2021 are as follows:

Cash in banks at December 31, 2021:	<u>Cash in Banks</u>	<u>Insured</u>	<u>Uninsured</u>
US Bank checking	\$ 376,057	\$ 136,051	\$240,006
US Bank, reserves	65,880	65,880	-
US Bank, money market, restricted	48,069	48,069	-
Oregon Coast Bank checking, Cultural Plaza	444,814	45,855	398,959
Oregon Coast Bank money market	204,145	204,145	-
Edward Jones money market	15	15	-
Total	<u>\$ 1,138,980</u>	<u>\$ 500,015</u>	<u>\$ 638,965</u>

Cash and cash equivalents are summarized in the accompanying statement of financial position from the following accounts:

	<u>Cash and Cash Equivalents</u>			<u>Total</u>
	<u>Operating</u>	<u>Designated</u>	<u>Restricted</u>	
US Bank money market	\$ -	\$ 48,069	\$ -	\$ 48,069
US Bank checking	327,690	49,795	-	377,485
US Bank reserve funds	-	65,880	-	65,880
Oregon Coast Bank, Cultural Plaza	-	-	444,814	444,814
Oregon Coast Bank money market	-	25,376	178,769	204,145
Edward Jones money market	15	-	-	15
Cash not yet deposited	19,568	-	-	19,568
Petty cash	612	-	-	612
Total cash	<u>\$ 347,885</u>	<u>\$ 189,120</u>	<u>\$ 623,583</u>	<u>\$ 1,160,588</u>

NOTE 5 - CONCENTRATIONS

Concentrations of support and revenues for the year ended December 31, 2021 are as follows:

	<u>Amount</u>	<u>Percentage</u>
Grants	\$ 300,523	27.70%
Government grants, federal	274,389	25.29%
Contributions	232,220	21.41%
Contributions in-kind	61,308	5.65%
Program services	149,542	13.78%
Rental income	34,691	3.20%
Membership dues	11,245	1.04%
Special events, net	4,514	0.42%
Other income	16,392	1.51%
Total support and revenues	<u>\$ 1,084,824</u>	<u>100.00%</u>

LINCOLN CITY CULTURAL CENTER, INC.
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Notes to the Financial Statements
for the Year Ended December 31, 2021

NOTE 6 - PROMISES TO GIVE

Promises to give consists of one pledge of \$9,000 of which \$3,000 was collected in 2020 and 2021, with \$3,000 to collect in 2022. The pledge is discounted at 3%. Activity for promises to give is as follows:

	Short-term	Long-term	Discount	Net	Total
Promises to give	\$ 3,000	\$ -	\$ (382)	\$ 2,618	\$ 2,618

NOTE 7 - PREPAID EXPENSES

Prepaid expenses consisted of prepaid insurance totaling \$1,139 at December 31, 2021.

NOTE 8 - INVENTORY

Inventory consisted of concession items at December 31, 2021, as follows:

	Amount
Food	\$ 138
Beer and wine	3,721
Total inventory	\$ 3,859

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment activity for the year ended December 31, 2021, is detailed in the following schedule.

	Beginning Balance	Additions	Disposals	Ending Balance
Leasehold improvements	\$ 1,036,186	\$ 35,111	\$ -	\$ 1,071,297
Equipment	-	7,187	-	7,187
Furniture and fixtures	61,434	-	(8,424)	53,010
Cultural Plaza Campaign CIP	167,596	16,757	-	184,353
Property and equipment at cost	1,265,216	59,055	(8,424)	1,315,847
Less: Accumulated depreciation	386,734	43,701	(8,424)	422,011
Net property and equipment	\$ 878,482	\$ 15,354	\$ -	\$ 893,836

LINCOLN CITY CULTURAL CENTER, INC.
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Notes to the Financial Statements
for the Year Ended December 31, 2021

NOTE 10 - STOCK INVESTMENTS

Stock investments consist of 5 shares of Costco stock donated to LCCC in a prior year and held in an investment account at year-end. No stocks were donated to LCCC in 2021. Securities are valued at the closing price of the stocks on the date of donation. Any stocks that remain in the investment account at year-end are presented at fair value (level 1) in the accompanying statement of financial position, while realized and unrealized gains or losses on the stock investments are presented in the statement of activities. Investment activity for the year ended December 31, 2021, is as follows:

	Cost	Fair Value Level 1	Accumulated Unrealized Gains
Stock investments received and retained:			
Costco Wholesale Corporation, 5 shares	<u>\$ 1,864</u>	<u>\$ 2,839</u>	<u>\$ 975</u>
Stock investment income:			
Unrealized gains	\$ 955		
Dividends and capital gains distributions	15		
Net investment income	<u>\$ 970</u>		

As discussed in Note 1 under fair value measurements, LCCC's stock investments are considered level 1 assets which use unadjusted quoted closing prices for identical shares of stocks publicly traded in the stock market to determine fair value.

NOTE 11 - DEFERRED REVENUE

Deferred revenue consisted of the following at December 31, 2021:

	Beginning Balance	Revenue		Ending Balance
		Received	Earned	
Deferred revenue source:				
Membership dues	\$ 7,090	\$ 8,085	\$ (11,175)	\$ 4,000
Rent	5,650		(5,650)	-
Grants	22,221	-	(22,221)	-
Gift certificates	120	-	-	120
Membership dues	<u>\$ 35,081</u>	<u>\$ 8,085</u>	<u>\$ (39,046)</u>	<u>\$ 4,120</u>

NOTE 12 - BANK LINE OF CREDIT

LCCC has a \$90,000 bank line of credit with Oregon Coast Bank dated March 18, 2021, maturing April 15, 2022, requiring monthly payments of interest at 4% with all outstanding principal and interest due on the maturity date. There was no outstanding balance on the line of credit at December 31, 2021.

NOTE 13 - REFUNDABLE ADVANCE

LCCC received a Paycheck Protection Program (PPP) loan through the Small Business Administration (SBA) of the United States providing operating funds during the COVID-19 pandemic. The loan is dated May 13, 2020, and totaled \$30,440 with interest at 1%, maturing May 13, 2022. The loan was forgiven in 2021 and is included on the accompanying statement of activities as government grants, federal along with the federal Shuttered Venue Operators Grant (SVOG) which helped to fund LCCC's operations due to COVID-19 closure of some activities.

LINCOLN CITY CULTURAL CENTER, INC.
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Notes to the Financial Statements
for the Year Ended December 31, 2021

NOTE 14 - NET ASSETS WITHOUT DONOR RESTRICTIONS; DESIGNATED

At December 31, 2021, net assets without donor restrictions includes cash designated for investment in certificates of deposit as follows:

Designated net assets:	Beginning Balance	Additions	Used	Ending Balance
Chessman development fund	\$ 36,528	\$ -	\$ (5,927)	\$ 30,601
Operating reserve	40,083	-	-	40,083
Maintenance	25,785	1,650	(1,650)	25,785
Cultural Plaza Campaign	91,213	1,438	-	92,651
Total designated net assets	<u>\$ 193,609</u>	<u>\$ 3,088</u>	<u>\$ (7,577)</u>	<u>\$ 189,120</u>

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

Activity for net assets with donor restrictions consisted of the following for the year ended December 31, 2021.

Restricted grants and contributions:	Beginning Balance	Received	Released	Ending Balance
Various grantors; Cultural Plaza Campaign	\$ 213,504	\$ 20,634	\$ (10,317)	\$ 223,821
Contributions; Cultural Plaza Campaign (CPC)	103,011	131,524	(6,440)	228,095
Autzen Foundation grant; CPC	-	7,000	-	7,000
Roundhouse grant; CPC	-	100,000	-	100,000
Lincoln County Cultural Coalition; auditorium mural	-	1,300	-	1,300
City of Lincoln City VCB; Facilities grant	22,512	-	(22,512)	-
Oregon Community Foundation (OCF); programs	28,114	-	(28,114)	-
OCF; Echo Mountain Art Fund	24,220	-	(22,170)	2,050
IBM matching grants	5,732	-	(3,640)	2,092
Rental brochure and website improvements	3,954	-	(3,954)	-
Marketing grant	6,900	-	(6,900)	-
Oneatta Fund; programs	645	-	(645)	-
Oneatta Fund; children's programming	1,499	-	(1,499)	-
Sponenburgh Memorial Trust; Creative Quarantine	-	2,600	(2,600)	-
US Bank 2020 grant	4,000	-	(4,000)	-
M.J. Murdock Charitable Trust; strategic plan	-	73,000	(13,706)	59,294
Various grantors; Washed Ashore exhibit	-	57,452	(57,452)	-
The Walter R. Behrens Foundation; Missoula Children's Theatre	-	1,950	(1,401)	549
Individual donor; piano maintenance fund	-	2,000	-	2,000
Total temporarily restricted net assets	<u>\$ 414,091</u>	<u>\$ 397,460</u>	<u>\$ (185,350)</u>	<u>\$ 626,201</u>

NOTE 16 - CONTRIBUTIONS IN-KIND

Contributions in-kind consisted of the following for the year ended December 31, 2021.

	Amount
Lodging for performers	\$ 13,725
Office building lease	36,000
Artwork for fundraising auction	8,783
Lightbulbs for Washed Ashore exhibit	2,000
Custom cookies for Washed Ashore opening	250
Case of wine and ceramic ornaments for opening	550
Total contributions in-kind	<u>\$ 61,308</u>

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Notes to the Financial Statements
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NOTE 17 - SPECIAL EVENTS

LCCC conducted special events during the year as part of its fundraising efforts. Special event receipts consist of ticket sales and other revenue excluding contributions. Special events for the year ended December 31, 2021 are detailed in the following schedule.

Special event:	Special Events		
	Receipts	Direct Costs	Net Income
Art auction; Echo Mountain Art Fund	\$ 4,925	\$ (411)	\$ 4,514

NOTE 18 - SALES AND COST OF SALES

Sales for 2021 are as follows:

Sales:	Sales	Cost of Sales	Net Income
Food service	\$ 23,785	\$ (9,846)	\$ 13,939

NOTE 19 - OPERATING LEASES

LCCC leases its land and building from the Lincoln City Urban Renewal Agency (URA) for the Delake School property under a non-cancelable lease agreement that expires on December 31, 2021. The lease began in August 2006. In December 2016 the monthly rent was waived for six years. In July 2016 the waiver of rent was extended for another five years to December 31, 2021. Monthly payments under the lease total \$2,250 indexed to the consumer price index each year. The rental maturity schedule below estimates rent increase at 2.5% each year.

On July 1, 2018, the URA lease was replaced by a lease from the City of Lincoln City (City) containing revised terms and continuing the abatement of rent until January 1, 2022. The City lease required a deposit of \$3,000 on July 1, 2019 unless the City waives such deposit in writing prior to that date. LCCC had 6 months to pay the deposit if it is not waived by the City. The lease has 5 conditional options to extend which must be requested in writing within 90 days of lease expiration in 2023, 2028, 2033, 2038, and 2043. Accordingly, the lease may mature on June 30 of any of these years or on June 30, 2048. The City will conduct an annual review of LCCC's operations and finances each April through June to determine if rent will be abated. The first such review will commence in April 2020 regarding rent abatement for 2022. As a result, rent for 2022 of \$36,000 is included in the lease maturity schedule below. Rents will increase by 2% each year after 2022, if rent is required by the City.

In addition, LCCC leases kitchen and office equipment under non-cancelable lease agreements that expire in 2021 and 2022 with total monthly payments of \$430. Equipment rent for 2021 included rentals of tents and equipment for outside performances during the pandemic and totaled \$19,748 for the year ended December 31, 2021.

The rental maturity schedule, and rent forgiven each year, is as follows:

Year Ending December 31,	Rents		
	Total	Forgiven	Due
2022	\$ 37,204	\$ (36,000)	\$ 1,204
2023	36,720	-	36,720
2024	37,454	-	37,454
2025	38,203	-	38,203
2026	38,957	-	38,957
Thereafter	795,398	-	795,398
Total	<u>\$ 983,936</u>	<u>\$ (36,000)</u>	<u>\$ 947,936</u>

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Notes to the Financial Statements
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NOTE 20 - COMMITMENTS

LCCC is fundraising for the Cultural Plaza, a major renovation of the entity's outdoor space. Two contractors are currently providing services for the Plaza including Shapiro Didway, LLC (SD) a landscape architectural firm from Portland, Oregon providing design services and Civil West Engineering Services, Inc. (CWES) of Newport, Oregon the project engineer. At December 31, 2021, LCCC is obligated to SD for \$49,125 for plan updates, final design, bidding support, contractor selection, observation, and final closeout. LCCC has a contract and addendums with CWES totaling \$144,224 with total invoiced costs of \$33,354 at July 1, 2022. CWES is responsible for project management, coordination of contract documents, bidding services, and contractor oversight.

NOTE 21 - CONCENTRATIONS OF RISK

Amounts held in financial institutions may at times be in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits during the year. LCCC deposits its cash with high quality financial institutions and management believes LCCC is not exposed to significant credit risk on those amounts.

The majority of LCCC's income is received from grants, contributions, and program service fees (see Note 5). As such, LCCC's ability to generate resources via special events, service fees, grants and contributions is dependent upon the economic health of the governmental agencies, visitors and tourists, and area businesses. An economic downturn could cause a decrease in income that coincides with an increase in demand for LCCC's services.

LCCC's stock investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could affect the amounts reported in the financial statements.

NOTE 22 - SUBSEQUENT EVENTS

In February 2022, the State of Oregon proceeded with promised but delayed state lottery funding totaling \$1,800,000 and this amount was deposited into LCCC's bank accounts allowing plaza construction to begin in 2022. Costs to construct the Cultural Plaza have increased beyond this amount and LCCC continues to raise funds for this project.

In April 2022, the request for proposals for the Cultural Plaza resulted in no bids submitted. LCCC will release a second request for proposals during the next bidding cycle in the fall of 2022 for spring 2023 construction. Estimated costs for the Cultural Plaza project have increased 40-60% since the initial estimate in 2020.

In April 2022, LCCC's board of directors decided not to renew the \$90,000 bank line of credit agreement.

In May 2022, the City of Lincoln City requested to install the public art piece in advance of the Cultural Plaza construction due to the delay in the bidding process.