



**SMITH CENTER
FOR HEALING AND THE ARTS**

community. creativity. cancer support.

**REPORT ON
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED
FINANCIAL INFORMATION FOR 2021**

**SMITH FARM, LTD.
DBA SMITH CENTER FOR HEALING AND THE ARTS
(SMITH CENTER)**

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SALTI & ASSOCIATES, LLC
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Smith Farm, Ltd.
DBA Smith Center for Healing and the Arts
(Smith Center)
Washington, D.C

Opinion

I have audited the accompanying financial statements of Smith Farm, Ltd. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smith Farm, Ltd. as of June 30, 2022, 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Smith Farm, Ltd. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Smith Farm, Ltd. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT

(continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is 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 my 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, I:

- 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 Smith Farm, Ltd. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Smith Farm, Ltd. ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

I have previously audited Smith Farm, Ltd.'s Smith Farm, Ltd. financial statements, and my report dated December 21, 2021 expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived

No. 2111 S&A

Washington, DC
January 3, 2023

SMITH FARM, LTD
dba: SMITH CENTER FOR HEALING AND THE ARTS

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 629,638	\$ 1,105,782
Investments, equities at market value (note 4)	19,485	26,807
Investments, certificates of deposit (note 2)	602,590	202,425
Grants & pledges receivable (note 6)	316,100	265,801
Accrued rent (note 11)	1,150	1,150
Prepaid expenses	19,080	21,016
Total Current Assets	<u>1,588,043</u>	<u>1,622,981</u>
Property & Equipment - at Cost		
Land	333,085	333,085
Building	611,079	611,079
Improvements	1,258,072	1,243,392
Website	24,200	24,200
Furniture and equipment	281,000	278,210
	<u>2,507,436</u>	<u>2,489,966</u>
Less: accumulated depreciation	<u>(987,558)</u>	<u>(922,673)</u>
Property & equipment, Net	<u>1,519,878</u>	<u>1,567,293</u>
Other Non-Current Assets		
Cash held in escrow	5,796	5,796
Accrued rent receivable	26,451	26,451
Art	18,250	18,250
Total Other Non-Current Assets	<u>50,497</u>	<u>50,497</u>
TOTAL ASSETS	<u>\$ 3,158,418</u>	<u>\$ 3,240,771</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 129,540	\$ 137,789
Deferred revenue (note 2)	73,392	63,212
Deferred rent payable	26,451	26,451
Small Business Administration Loan (EIDL) Current (note 14)	1,728	-
Loan payable - PPP	-	140,883
Total Current Liabilities	<u>231,111</u>	<u>368,335</u>
Long-Term Liabilities		
Small Business Administration Loan (EIDL) Non-Current (note 14)	148,272	150,000
Security deposit payable non-current	5,796	5,796
Total Long-Term Liabilities	<u>154,068</u>	<u>155,796</u>
Total Liabilities	<u>385,179</u>	<u>524,131</u>
Net Assets		
Without donor restrictions	2,630,503	2,492,653
With donor restrictions (note 12)	142,736	223,987
Total net assets	<u>2,773,239</u>	<u>2,716,640</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,158,418</u>	<u>\$ 3,240,771</u>

The accompanying notes are an integral part of these financial statements

SMITH FARM, LTD
dba: SMITH CENTER FOR HEALING AND THE ARTS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	Without Donor Restrictions	With Donor Restrictions	2022	2021
REVENUE				
Grants and contributions	\$ 501,559	\$ 210,676	\$ 712,235	\$ 736,582
State and federal awards	43,046	-	43,046	54,799
Government grant (note 16)	140,833	-	140,833	138,000
Fees from programs	437,930	-	437,930	268,421
Event	436,231	-	436,231	475,174
Dividends and interest income	415	-	415	2,164
Rental income	93,420	-	93,420	72,466
Other income-Book/Art sales	48,527	-	48,527	-
In-kind contributions (note 7)	120,709	-	120,709	156,730
Realized gain on sale of equities	-	-	-	20
Net assets released from restrictions for:				
Gallery	34,416	(34,416)	-	-
Building-renovation	31,315	(31,315)	-	-
IIION- Patient Navigator	31,330	(31,330)	-	-
Cancer Support Program	41,542	(41,542)	-	-
General Support - time restrictions	129,291	(129,291)	-	-
Artists in Residence	24,033	(24,033)	-	-
TOTAL REVENUE	2,114,597	(81,251)	2,033,346	1,904,356
EXPENSES				
Program Services Expenses:				
Health and Wellbeing	949,129	-	949,129	805,120
Education and Training	33,117	-	33,117	56,644
Art & Healing	654,610	-	654,610	449,313
Total Program Services Expenses	1,636,856	-	1,636,856	1,311,077
Supporting Services Expenses:				
Management and General	50,545	-	50,545	54,461
Fundraising	248,041	-	248,041	233,759
U Street	28,002	-	28,002	24,523
Total Supporting Services Expenses	326,588	-	326,588	312,743
TOTAL EXPENSES	1,963,444	-	1,963,444	1,623,820
Change in net assets, before nonoperating income	151,153	(81,251)	69,902	280,536
Unrealized gain (loss) on investment	(13,303)	-	(13,303)	6,551
CHANGE IN NET ASSETS	137,850	(81,251)	56,599	287,087
Net Assets, Beginning of Year	2,492,653	223,987	2,716,640	2,429,553
NET ASSETS, END OF YEAR	\$ 2,630,503	\$ 142,736	\$ 2,773,239	\$ 2,716,640

The accompanying notes are an integral part of these financial statements

SMITH FARM, LTD
dba: SMITH CENTER FOR HEALING AND THE ARTS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	Health and Wellbeing	Education and Training	Art & Healing	Total Program Expenses	Management and General	Fund- raising	U Street	2022	2021
Salary expense	\$ 433,898	\$ 11,811	\$ 105,790	551,499	\$ 28,410	\$ 68,701	\$ 12,788	\$ 661,398	\$ 579,910
Payroll taxes & fringe benefits	155,877	6,985	46,100	208,962	6,465	19,696	3,514	238,637	214,719
Advertising	1,062	32	439	1,533	3,414	2,702	24	7,673	3,062
Business insurance	10,220	503	9,753	20,476	(1,093)	1,305	228	20,916	22,310
Conferences & training	855	-	10	865	-	6,354	-	7,219	2,066
Consultant fees	112,746	8,596	405,541	526,883	2,523	20,273	1,125	550,804	381,939
Depreciation & amortization	5,774	256	1,710	7,740	504	729	55,911	64,884	60,156
Dues, memberships and fees	4,343	176	2,884	7,403	1,718	1,411	71	10,603	9,964
Gala event expenses	-	-	-	-	-	99,232	-	99,232	71,985
Information technology	36,745	1,772	14,686	53,203	1,802	4,520	789	60,314	20,831
Maintenance & repairs	14,174	540	4,702	19,416	711	1,744	7,640	29,511	15,532
Management fees	-	-	-	-	-	-	7,473	7,473	6,751
Occupancy costs and utilities	51,965	2,101	36,295	90,361	2,921	13,505	(75,934)	30,853	26,639
Office & program supplies	10,203	332	11,517	22,052	2,716	2,150	2,542	29,460	29,022
Postage & delivery	691	13	648	1,352	53	2,456	13	3,874	3,781
Printing & copying	630	-	2,035	2,665	-	3,205	-	5,870	5,479
Real estate and other taxes	16	-	4	20	1	2	11,818	11,841	12,749
Retreat rent and other expenses	-	-	-	-	-	-	-	-	45
Travel	809	-	1,308	2,117	-	56	-	2,173	150
Total Expenses before In-Kind	840,008	33,117	643,422	1,516,547	50,145	248,041	28,002	1,842,735	1,467,090
In-Kind services	108,721	-	11,188	119,909	-	-	-	119,909	156,730
In-Kind goods	400	-	-	400	400	-	-	800	-
Total Expenses	\$ 949,129	\$ 33,117	\$ 654,610	\$ 1,636,856	\$ 50,545	\$ 248,041	\$ 28,002	\$ 1,963,444	\$ 1,623,820

The accompanying notes are an integral part of these financial statements

SMITH FARM, LTD
dba: SMITH CENTER FOR HEALING AND THE ARTS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 56,599	\$ 287,087
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation	64,884	60,156
Net realized gain on investment	-	(20)
Net unrealized loss (gain) on investment	13,303	(6,551)
Change in operating assts and liabilities:		
Investments in securities	4,167	(10,170)
Grants & pledges receivable	(50,299)	(231,651)
Accrued rent receivable	-	3,011
Prepaid expenses	1,936	(4,740)
Accounts payable and accrued expenses	(8,249)	51,272
Deferred revenue	10,180	31,108
Loan payable - PPP	(140,883)	2,883
Net Cash Provided Operating Activities	<u>(48,362)</u>	<u>182,385</u>
Cash Flows from Investing Activities:		
Purchase of computer equipment	(2,790)	(11,974)
Renovation costs	(14,680)	(75,555)
Purchase of certificates of deposit	(410,165)	-
Dividends reinvestment	(147)	(1,758)
Net Cash (used in) provided by Invsting Activities	<u>(427,782)</u>	<u>(89,287)</u>
Cash Flows from Financing Activities:		
Proceed from promissory note (SBA)	-	150,000
Net Cash Provided by Financing Activities	<u>-</u>	<u>150,000</u>
Net (decrease) Increase in Cash and Cash Equivalents	(476,144)	243,098
Cash and Cash Equivalents, beginning of year	<u>1,105,782</u>	<u>862,684</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 629,638</u></u>	<u><u>\$ 1,105,782</u></u>

The accompanying notes are an integral part of these financial statements

**SMITH FARM, LTD.
DBA SMITH CENTER FOR HEALING AND THE ARTS (SMITH CENTER)**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

1. ORGANIZATION AND ACTIVITIES

Organization

Smith Center for Healing and the Arts is a Washington, DC based nonprofit health, education, and arts organization. Our mission is to develop and promote healing practices that explore physical, emotional, and mental wellness and lead to life-affirming changes.

Smith Center, a non-profit 501(c)(3) organization, is the only Washington, DC independent cancer support organization serving the entire population of our nation's capital. Smith Center is a national leader in utilizing the arts as tools for healing. Smith Center welcomes people of all races, genders, and religious traditions. Most programs are free of charge and Smith Center offers partial scholarship assistance for fee-based programs whenever possible.

Smith Center derives substantially all of its revenues from the contributions made by publicly and privately supported foundations. It is dependent upon these contributions for its continued operations. Management believes contributions will continue at a level sufficient to permit ongoing operations and activities.

Description of Program Services

Health and Wellness Smith Center offers integrative healing programs for adults with cancer, caregivers and the community. Cancer Support programs at the U Street facility include support groups, yoga and stress reduction, nutrition classes and creativity workshops. We also provide integrative Cancer Retreats. We offer individual patient navigation services and counseling through our trained integrative patient navigators, and have an onsite healing resource center library.

Education and Training Smith Center provides learning communities to strengthen capacity and increase dialogue and communication between patients and clinicians. This includes professional trainings in Integrative Oncology Navigation and Culinary Translation. In-person trainings have been put on hold, while our Navigation Training is being converted to to an online platform.

Art & Healing Smith Center creates opportunities for people to explore their innate creativity and advance the understanding of the healing power of the arts. The Joan Hisaoka Healing Arts Gallery exhibits the work of professional artists around topics of healing. Smith Center collaborates with local hospitals to create healing arts and Artist in Residence programs including bringing artists onsite to work with patients, caregivers and staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

**SMITH FARM, LTD.
DBA SMITH CENTER FOR HEALING AND THE ARTS (SMITH CENTER)**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Net assets and revenue, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of Smith Center and changes therein are classified and reported as:

Without Donor Restrictions – Those resources not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources. Designated amounts represent those net assets that the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor-imposed restrictions that will be satisfied by action of Smith Center or by passage of time.

Smith Center has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

Cash and Cash Equivalents

Cash and Cash equivalents:

Smith Center considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consisted of \$629,638 and \$1,105,782 in banks and on hand in 2022 and 2021 respectively. As of June 30, 2022, Smith Center has a checking and a savings accounts at Truist Bank combined is subject to the FDIC \$250,000 limit.

During the year, the Center received funds from its rental property which is managed and held in escrow by a third party. The amount in escrow at June 30, 2022 is \$5,796.

Investments

Smith Center adopted Statement of Financial Accounting Standards (ASC-958-320), “Accounting for Certain Investments Held by Not-for-Profit Organizations.” The provisions of this standard require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value on the balance sheet. The unrealized gain or loss on investments is reflected in the statement of activities.

Certificates of Deposit

The Organization’s investments in certificates of deposit, with original maturities greater than ninety days, are valued at cost. These investments do not qualify as securities as defined in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 320, Investments—Debt and Equity Securities, thus fair value disclosures required by ASC 820, Fair Value Measurements and Disclosures, for the certificates of deposit are not provided.

Property and Equipment

The property is depreciated over 40 years by application of the straight-line method. Furniture and equipment are depreciated over three to seven years by application of the straight-line method. Depreciation charged to expense amounted to \$64,884 and \$60,156 in 2022 and 2021 respectively. Capital expenditures over \$1,500 are capitalized in the statement of financial position.

**SMITH FARM, LTD.
DBA SMITH CENTER FOR HEALING AND THE ARTS (SMITH CENTER)**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Advances Program (Deferred Revenue)

Advances relate to cash received directly from government and nongovernmental agencies, not yet expended on the program. These amounts will be recognized as revenue as the expenses are incurred. As of June 30, 2022, and 2021, Smith Center has recorded a program advance of \$73,392 and \$63,212, respectively, from a single nongovernmental agency.

Contract Revenue Recognition

Revenue streams applicable to the Organization that qualify as exchange transactions (primarily fee for services) are recognized as the services are completed. Amounts received in advance are recorded as deferred revenue until the Organization has satisfied the requirements of the service.

Revenue Recognition

All contributions are considered to be without donor restrictions unless specifically communicated by the donor. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. When restrictions are fulfilled in the same time period as the contribution is received, Smith Center presents such contributions in the net assets without donor restrictions.

Contributed Services

Contributed services, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense amounted to \$7,673 and \$3,062 for the years ended June 30, 2022 and 2021, respectively.

Uncertain Tax Position

The Financial Accounting Standard Board (FASB) released FASB ASC 740-10, Income Taxes, that provide guidance for reporting uncertainty in income taxes. For the year ended June 30, 2022, Smith Center has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax provisions qualify for either recognition or disclosure in the financial statements.

Income Taxes

Smith Center has qualified as a non-profit organization under Internal Revenue Code Section 501 (c) (3) and consequently pays no taxes on its exempt function income. However, Smith Center would be liable for taxes on any unrelated business income.

**SMITH FARM, LTD.
DBA SMITH CENTER FOR HEALING AND THE ARTS (SMITH CENTER)**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Costs are charged to program services and management and general functions based on direct expenditures incurred. Expenses not directly chargeable to these functional categories are allocated based on direct personnel costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses and in the disclosures of contingent assets and liabilities. Accordingly, actual results could differ from those estimates. Management believes that actual results will not be materially different from amounts provided in the accompanying financial statements.

Gifts In-Kind In

September 2021, the FASB issued ASU 2021-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which is effective for fiscal years beginning after June 15, 2022, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Organization's combined financial statements.

3. CONCENTRATION OF CREDIT RISK

At times during the year, Smith Center maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) \$250,000 limit. Management believes the risk in these situations to be minimal. As of June 30, 2022, Smith Center has an account at Truist Bank financial institution which is subject to FDIC limit.

4. FAIR VALUE MEASUREMENT

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (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 below:

SMITH FARM, LTD.
DBA SMITH CENTER FOR HEALING AND THE ARTS (SMITH CENTER)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

4. FAIR VALUE MEASUREMENT

Basis of Fair Value Measurement

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables set forth by level within the fair value hierarchy Smith Center's investment assets as of June 30, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	<u>\$19,490</u>	<u>\$ -</u>	<u>\$19,490</u>

Investments at fair value and cost at June 30, 2022 and 2021 were as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	<u>\$28,455</u>	<u>\$19,490</u>	<u>\$ 22,473</u>	<u>\$26,807</u>

Investment return related to these investments is included with investment income on the statements of activities and changes in net assets at June 30, and was comprised of the following:

	<u>2022</u>	<u>2021</u>
Unrealized (loss) gains	<u>(\$8,965)</u>	<u>\$4,334</u>
Dividends	<u>147</u>	<u>-</u>

5. LINE OF CREDIT

On April 16, 2021, the Organization entered into a loan (credit line) with Truist Bank for \$60,000, with an interest rate based on the Lender's Prime Rate (The Index) with the understanding that under no circumstances will the interest rate on this loan will be less than 2.50%. The loan period is from April 10, 2021 to April 10, 2024. The outstanding balance as of June 30, 2022 was \$0.

6. GRANTS, PLEDGES & ACCOUNTS RECEIVABLE

Grants and pledges receivable and other receivables in the amount of \$343,701 at June 30, 2022 are due to Smith Farm, Ltd. Of the total receivables, \$26,451 is for rental income in arrears due to pandemic.

Smith Center does not record an allowance for uncollectible promises receivable as accounts are written off when they are determined uncollectible.

**SMITH FARM, LTD.
DBA SMITH CENTER FOR HEALING AND THE ARTS (SMITH CENTER)**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

7. CONTRIBUTED GOODS AND SERVICES

Smith Center received non-cash contributions from certain members of its board of directors and other sources that required specialized skills that would need to be paid if not provided by donations. During the fiscal year 2022, in-kind contributions totaled \$120,709 for supporting all areas of the nonprofit, including: teaching and facilitating various programs and workshops for Cancer Support Programs as well as volunteer and intern support for retreats, gallery, artist in residence, operations, fundraising, marketing, and renovations.

8. LIQUIDITY, AVAILABILITY AND RESERVES MANAGEMENT

Smith Center nonprofit's process of liquidity management calls for the organization to maintain sufficient liquid financial assets in order to readily meet general expenditures and obligations as they become due. The policy of the nonprofit is to maintain cash and cash equivalents equal to at least 60 days of routine operating expenditures. Management of the nonprofit periodically reviews the organization's liquid asset needs and adjusts the cash and cash equivalent balances as necessary.

Smith Center has \$1,476,509 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$629,638, certificates of deposits of \$602,590 contributions receivable of \$244,281. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

As part of its liquidity management Smith Center invested its cash in excess of daily requirements in various short-term investments, including certificates of deposit. In addition, the organization maintains a revolving line of credit with a commercial bank in the amount of \$60,000. The line of credit is available to meet general obligations if needed.

Assets Without Donor Restrictions Available Within 12 Months:

Cash and cash equivalents (Program and Operations)	\$ 629,638
Contract and accounts receivables	316,100
Certificates of deposits	<u>602,590</u>
Financial assets, at fiscal year-end	<u>1,548,328</u>

Less: those unavailable for general expenditures

 Within one year due to:

 Contractual or donor imposed restrictions (71,819)

**Financial assets available to meet cash needs for
General expenditures within one year**

\$1,476,509

SMITH FARM, LTD.
DBA SMITH CENTER FOR HEALING AND THE ARTS (SMITH CENTER)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

9. PENSION PLAN

In November 2002, Smith Center implemented a pension plan (403b) for all full and part time employees (over 20 hours) after one year of employment. Smith Center contributes 5% of employee's annual W2 salaries. In the fiscal year ended June 30, 2022, Smith Center accrued \$15,059 on behalf of covered employees. Pension contribution for the entire year totaled \$27,264.

10. OPERATING LEASES

The Center leases part of its headquarters building to unrelated businesses and other non-profit organizations. The lease agreements range from 3 to 5 years depending on the tenants. Income generated from the subtenant is not subject to unrelated business income tax under the federal income tax code. As of June 30, 2022, The Center incurred no tax liability from the rental income.

11. RENTAL REVENUE

Rental revenue is recognized monthly using the straight-line method. Rental payments received in advance are deferred until earned. All leases between The Center and the tenants of the property are operating leases. As of June 30, 2022, straight-line base rents in excess of actual tenant billings were classified as accrued rent receivable of \$1,150. Operating expenses incurred by The Center are charged to tenants and are billed monthly to the tenants with an annual adjustments made in accordance with the respective tenant leases.

12. NET ASSETS WITH DONOR RESTRICTIONS

Restrictions consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Cancer Support Program	\$ 43,042	\$ 17,084
Building – renovation	-	31,315
Artists in Residence	14,199	33,232
Gallery (time restriction)	14,578	1,818
IION-Patient Navigation Training	-	31,330
General Support (time restriction)	<u>70,917</u>	<u>109,208</u>
TOTAL	<u>\$142,736</u>	<u>\$ 225,022</u>

13. METHODS OF ALLOCATING GENERAL MANAGEMENT AND OCCUPANCY COSTS

General and Management Expenses:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office expenses, information technology, depreciation and insurance, which are allocated based on salaries, which are allocated on the basis of estimates of time and effort.

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

13. METHODS OF ALLOCATING GENERAL MANAGEMENT AND OCCUPANCY COSTS

Occupancy Cost Allocation:

Smith Center occupies 76% its office building located on 1612 U Street, NW. Occupancy costs consist of depreciation, management fee, real estate taxes, personnel costs and utilities. Occupancy cost is allocated among program and supporting expenses based on percentage of total expenses for the whole organization.

14. SBA ECONOMIC INJURY DISASTER LOAN (“EIDL”)

On June 14, 2020, the Organization applied for a \$150,000 loan from SBA (Small Business Administration) under the EIDL (Economic Injury Disaster Loan) program and received the funds in January 2021. The loan matures June 2050, at an interest rate of 2.75%, with monthly installments of principal and interest of \$641 beginning twenty-four months from the date of the loan. As of June 30, 2022, the balance outstanding on this loan was \$150,000. Subsequent to year end, the SBA extended the deferment period of monthly installments to January 2023.

2023	\$ 1,728
2024	3,645
2025	3,746
2026	3,851
2027	3,958
Thereafter	<u>133,072</u>
TOTAL	<u>\$150,000</u>

15. SMITH CENTER’S FOUNDER

Smith Center’s Founder and major contributor passed away in the spring of 2003. The will of the founder established Barbara Smith Fund, a private foundation, under section 501 (c) (3) to perpetuate her life purpose which is to contribute to the healing arts.

“Specifically, the foundation will devote part of its resources to the maintenance and development of Smith Center, Ltd. The Center for Healing Arts that was established for as long as Smith Center, Ltd. itself continues to qualify as a 501 (c)(3), and continue to merit that support.”

During the course of fiscal year 2017, Barbara Smith Fund (BSF) was dissolved as a private foundation into “Donor Advised Fund.” As a result of the change, the Board of Smith Center unanimously adopted a resolution on January 17, 2017, that upon the unlikely dissolution of Smith Farm, Ltd (the Corporation), the net proceeds of the building at 1632 U Street, NW, Washington, DC 20005, would go to the Barbara Smith Fund – Donor Advised Fund at Vanguard Charitable Endowment program.

As of the date of the report, Smith Center expects no change of commitment from Barbara Smith Fund – Donor Advised Fund. The Center expects a commitment of \$370,000 in fiscal year 2023.

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**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

16. PAYCHECK PROTECTION PROGRAM

Government revenue reflected in the statement of activities for the year ended June 30, 2022, represents the forgiven portion of a Small Business Association (SBA) Paycheck Protection Program (PPP) loan in the amount of \$140,833. Using the government grant model under FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, the Organization recognized the amount as a government grant, in substance.

17. SUBSEQUENT EVENTS

Smith Center has evaluated subsequent events occurring after the statement of financial position date through the date of January 3, 2023, the date the financial statements were available for release. Smith Center is not aware of any subsequent events except below:

In January 2023, Smith Center made its first payment of \$641 towards its loan with SBA.