



**SMITH CENTER**  
FOR HEALING AND THE ARTS  
community. creativity. cancer support.

**REPORT ON  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023  
WITH SUMMARIZED  
FINANCIAL INFORMATION FOR 2022**

**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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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 financial statements, and my report dated January 3, 2023 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, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*No. 211 SAG*

Washington, DC  
January 5, 2024

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

**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2023**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 884,208	\$ 629,638
Investments, equities at market value (note 4)	36,188	19,485
Investments, certificates of deposit (note 2)	602,621	602,590
Grants & pledges receivable (note 6)	132,463	316,100
Accrued rent	-	1,150
Prepaid expenses	<u>23,656</u>	<u>19,080</u>
Total Current Assets	<u>1,679,136</u>	<u>1,588,043</u>
<b>Property &amp; Equipment - at Cost</b>		
Land	333,085	333,085
Building	611,079	611,079
Improvements	1,258,072	1,258,072
Website	24,200	24,200
Furniture and equipment	<u>285,087</u>	<u>281,000</u>
Less: accumulated depreciation	<u>2,511,523</u>	<u>2,507,436</u>
Property & equipment, Net	<u>(1,050,774)</u>	<u>(987,558)</u>
	<u>1,460,749</u>	<u>1,519,878</u>
<b>Other Non-Current Assets</b>		
Cash held in escrow	5,796	5,796
Accrued rent receivable	21,731	26,451
Art	<u>18,250</u>	<u>18,250</u>
Total Other Non-Current Assets	<u>45,777</u>	<u>50,497</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,185,662</u></b>	<b><u>\$ 3,158,418</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 155,025	\$ 129,540
Deferred revenue (note 2)	84,161	73,392
Deferred rent payable	21,731	26,451
Small Business Administration Loan (EIDL) Current (note 13)	<u>1,728</u>	<u>-</u>
Total Current Liabilities	<u>262,645</u>	<u>229,383</u>
<b>Long-Term Liabilities</b>		
Small Business Adminstration Loan (EIDL) Non-Current (note 13)	148,272	150,000
Security deposit payable non-current	<u>5,796</u>	<u>5,796</u>
Total Long-Term Liabilities	<u>154,068</u>	<u>155,796</u>
<b>Total Liabilities</b>	<b><u>416,713</u></b>	<b><u>385,179</u></b>
<b>Net Assets</b>		
Without donor restrictions	2,614,526	2,630,503
With donor restrictions (note 11)	<u>154,423</u>	<u>142,736</u>
Total net assets	<u>2,768,949</u>	<u>2,773,239</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,185,662</u></b>	<b><u>\$ 3,158,418</u></b>

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, 2023**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2023</b>	<b>2022</b>
<b>REVENUE</b>				
Grants and contributions	\$ 575,902	\$ 261,713	\$ 837,615	\$ 712,235
State and federal awards	20,115	-	20,115	43,046
Government grant	-	-	-	140,833
Fees from programs	464,051	-	464,051	437,930
Event	387,676	-	387,676	436,231
Dividends and interest income	336	-	336	415
Rental income	97,496	-	97,496	93,420
Other income-Book/Art sales	4,608	-	4,608	48,527
In-kind contributions	134,119	-	134,119	120,709
Net assets released from restrictions for:				
Gallery	19,620	(19,620)	-	-
IION- Patient Navigator	9,330	(9,330)	-	-
Cancer Support Program	71,376	(71,376)	-	-
General Support - time restrictions	118,000	(118,000)	-	-
Artists in Residence	31,700	(31,700)	-	-
<b>TOTAL REVENUE</b>	<b>1,934,329</b>	<b>11,687</b>	<b>1,946,016</b>	<b>2,033,346</b>
<b>EXPENSES</b>				
Program Services Expenses:				
Health and Wellbeing	1,073,413	-	1,073,413	949,129
Education and Training	35,058	-	35,058	33,117
Art & Healing	686,276	-	686,276	654,610
Total Program Services Expenses	1,794,747	-	1,794,747	1,636,856
Supporting Services Expenses:				
Management and General	57,336	-	57,336	50,545
Fundraising	237,868	-	237,868	248,041
U Street	27,295	-	27,295	28,002
Total Supporting Services Expenses	322,499	-	322,499	326,588
<b>TOTAL EXPENSES</b>	<b>2,117,246</b>	<b>-</b>	<b>2,117,246</b>	<b>1,963,444</b>
Change in net assets, before nonoperating income	(182,917)	11,687	(171,230)	69,902
Non-Operating Income:				
Employee Retention Tax Credit (note 15)	155,475	-	155,475	-
Unrealized gain (loss) on investment	11,465	-	11,465	(13,303)
<b>CHNGE IN NET ASSETS</b>	<b>(15,977)</b>	<b>11,687</b>	<b>(4,290)</b>	<b>56,599</b>
Net Assets, Beginning of Year	2,630,503	142,736	2,773,239	2,716,640
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,614,526</b>	<b>\$ 154,423</b>	<b>\$ 2,768,949</b>	<b>\$ 2,773,239</b>

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, 2023**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<b>Health and Wellbeing</b>	<b>Education and Training</b>	<b>Art &amp; Healing</b>	<b>Program Expenses</b>	<b>Management and General</b>	<b>Fund-raising</b>	<b>U Street</b>	<b>2023</b>	<b>2022</b>
Salary expense	\$ 525,921	\$ 20,593	\$ 137,945	684,459	\$ 30,662	\$ 73,895	\$ 14,558	\$ 803,574	\$ 661,398
Payroll taxes & fringe benefits	160,989	2,945	48,191	212,125	7,631	14,912	3,370	238,038	238,637
Advertising	133	921	1,244	2,298	6,272	-	-	8,570	7,673
Business insurance	10,463	189	9,665	20,317	634	958	221	22,130	20,916
Conferences & training	595	6	3,184	3,785	75	2,364	-	6,224	7,219
Consultant fees	117,448	3,324	377,359	498,131	3,069	13,164	1,359	515,723	550,804
Depreciation & amortization	4,634	96	1,590	6,320	255	491	56,150	63,216	64,884
Dues, memberships and fees	4,323	343	1,652	6,318	984	2,345	57	9,704	10,603
Gala event expenses	-	-	-	-	-	100,236	-	100,236	99,232
Information technology	38,263	582	19,263	58,108	1,577	2,978	707	63,370	60,314
Interest expense	3,193	59	1,087	4,339	142	300	65	4,846	-
Maintenance & repairs	16,212	294	5,571	22,077	759	1,494	5,653	29,983	29,511
Management fees	-	-	-	-	-	-	6,669	6,669	7,473
Occupancy costs and utilities	53,517	1,760	33,165	88,442	3,082	11,607	(71,757)	31,374	30,853
Office & program supplies	10,961	90	15,038	26,089	2,075	585	102	28,851	29,460
Postage & delivery	1,155	21	5,362	6,538	53	4,027	24	10,642	3,874
Printing & copying	1,246	332	7,626	9,204	57	8,498	26	17,785	5,870
Real estate and other taxes	172	3	45	220	9	14	10,091	10,334	11,841
Retreat rent and other expenses	4,340	3,500	-	7,840	-	-	-	7,840	-
Travel	1,207	-	2,811	4,018	-	-	-	4,018	2,173
Total Expenses before In-Kind	954,772	35,058	670,798	1,660,628	57,336	237,868	27,295	1,983,127	1,842,735
In-Kind services	118,331	-	15,478	133,809	-	-	-	133,809	119,909
In-Kind goods	310	-	-	310	-	-	-	310	800
<b>Total Expenses</b>	<b>\$ 1,073,413</b>	<b>\$ 35,058</b>	<b>\$ 686,276</b>	<b>\$ 1,794,747</b>	<b>\$ 57,336</b>	<b>\$ 237,868</b>	<b>\$ 27,295</b>	<b>\$ 2,117,246</b>	<b>\$ 1,963,444</b>

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, 2023**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (4,290)	\$ 56,599
Adjustments to reconcile change in net assets		
to net cash provided (used) in operating activities:		
Depreciation	63,216	64,884
Net unrealized loss (gain) on investment	(11,465)	13,303
Change in operating assets and liabilities:		
Investments in securities	(5,014)	4,167
Investments in certificate of deposits	(31)	-
Grants & pledges receivable	183,637	(50,299)
Accrued rent receivable	1,150	-
Prepaid expenses	(4,576)	1,936
Accounts payable and accrued expenses	25,485	(8,249)
Deferred revenue	10,769	10,180
Loan payable - PPP	-	(140,883)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>258,881</b>	<b>(48,362)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of computer equipment	(4,087)	(2,790)
Renovation costs	-	(14,680)
Purchase of certificates of deposit	-	(410,165)
Dividends reinvestment	(224)	(147)
<b>Net Cash (used in) provided by Investing Activities</b>	<b>(4,311)</b>	<b>(427,782)</b>
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	<b>254,570</b>	<b>(476,144)</b>
Cash and Cash Equivalents, beginning of year	<u>629,638</u>	<u>1,105,782</u>
<b>Cash and Cash Equivalents, end of year</b>	<b><u>\$ 884,208</u></b>	<b><u>\$ 629,638</u></b>

	<b>2023</b>	<b>2022</b>
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 4,846	\$ -

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, 2023**

## **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 Training*** Smith Center provides learning communities to strengthen capacity and increase dialogue and communication between patients and clinicians. Our renowned in-person Integrative Oncology Navigation Training has been converted to an on-line training in partnership with Maryland University of Integrative Health (MUIH). The training launched in the Spring 2023. Learners from a variety of professions can earn a certificate of completion and up to 44 continuing education units including Nurses, Social Workers, Health and Wellness Coaches, and Nutrition Specialist.

***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.

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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.

**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 are 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**

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 \$884,208 and \$629,638 in banks and on hand in 2023 and 2022 respectively. As of June 30, 2023, Smith Center has a checking and a savings account 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, 2023 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.

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 \$63,216 and \$64,884 in 2023 and 2022 respectively. Capital expenditures over \$1,500 are capitalized in the statement of financial position.

**Program Advances Program (Deferred Revenue)**

Advances relate to cash received directly from nongovernmental agencies, not yet expended on the program and for sponsorship events for the following fiscal year. These amounts will be recognized as revenue as the expenses are incurred. As of June 30, 2023, and 2022, Smith Center has recorded a program advance of \$84,161 and \$73,392, respectively, from various sponsors and 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.

**Advertising**

The Organization expenses advertising costs as they are incurred. Advertising expense amounted to \$8,570 and \$7,673 for the years ended June 30, 2023 and 2022, 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, 2023, 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.

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**In-Kind Goods and Services**

In-kind goods and services: The Center receives significant donations of time and services from members of the community and volunteers related to program operations, and special events. Donated services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria:

- (a) the service requires specialized skills,
- (b) the service is provided by individuals who possess those skills, and
- (c) the service would typically need to be purchased if not contributed.

Donated services for the year ended June 30, 2023 were \$134,119. In-kind donations are recorded at fair value on the date of donation and were valued using estimated values of similar services under a “like-kind” methodology.

**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, 2023, Smith Center has an account at Truist Bank financial institution which is subject to FDIC limit.

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**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:

**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, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	\$31,048	\$ -	\$31,048
Exchange Traded Funds	5,140	-	5,140
<b>TOTAL</b>	<b>\$36,188</b>	<b>\$ -</b>	<b>\$36,188</b>

Investments at fair value and cost at June 30, 2023 and 2022 were as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equities	\$28,624	\$31,048	\$ 28,455	\$19,490
Exchange Traded Funds	5,069	5,140	-	-
<b>TOTAL</b>	<b>\$33,693</b>	<b>\$36,188</b>	<b>\$28,455</b>	<b>\$19,490</b>

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>2023</u>	<u>2022</u>
Unrealized gain (loss)	\$2,495	(\$8,965)
Dividends	225	147

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**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2023 was \$0.

**6. ACCOUNTS RECEIVABLE**

Total receivables due to Smith farm at June 30, 2023, \$154,194 broken down as follows:

Contract receivables	\$102,463	Due in 12 months
Contribution receivables	30,000	Due in 12 months
Rental receivables	<u>21,731</u>	Rental income in arrears due to pandemic
<b>TOTAL</b>	<b><u>\$154,194</u></b>	

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

**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 2023, in-kind contributions totaled \$134,119 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.

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.

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**8. LIQUIDITY, AVAILABILITY AND RESERVES MANAGEMENT**

Assets Without Donor Restrictions Available Within 12 Months:

Cash and cash equivalents (Program and Operations)	\$ 884,208
Contract and accounts receivables	132,463
Certificates of deposits	<u>602,621</u>
Financial assets, at fiscal year-end	<u>1,619,292</u>
Less: those unavailable for general expenditures	
Within one year due to:	
Contractual or donor imposed restrictions	<u>( 154,423)</u>

**Financial assets available to meet cash needs for  
General expenditures within one year** **\$1,464,869**

**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, 2023, Smith Center accrued \$15,501 on behalf of covered employees. Pension contribution for the entire year totaled \$26,224.

**10. LEASING ARRANGEMENT AS LESSOR**

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 for the year ended June 30, 2023.

Rental revenue is recognized monthly when billed. Rental payments received in advance are deferred until earned. All leases between the Center and the tenants are operating leases. Operating expenses incurred by The Center are charged to tenants and are billed monthly to the tenants with an annual adjustment made in accordance with the respective tenant leases.

The Center maintains accounts for security deposits received from the tenants. Total security deposits from tenants of \$5,796 are restricted and held by the Management company in an escrow account.

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**NOTES TO FINANCIAL STATEMENTS**  
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**11. NET ASSETS WITH DONOR RESTRICTIONS**

Restrictions consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cancer Support Program	\$ 89,379	\$ 43,042
Artists in Residence	17,500	14,199
Gallery (time restriction)	6,458	14,578
IION-Patient Navigation Training	5,670	-
General Support (time restriction)	<u>35,417</u>	<u>70,917</u>
<b>TOTAL</b>	<b><u>\$154,424</u></b>	<b><u>\$142,736</u></b>

**12. 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.

**Occupancy Cost Allocation:**

Smith Center occupies 76% of 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.

**13. 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 thirty months from the date of the loan. As of June 30, 2023, the balance outstanding on this loan was \$150,000.

Beginning of January 2023, the Center started making payments of \$641. All payments to date were applied to interest. Estimated accrued interest on the loan as of December 22, 2023 to be \$3,504.

2024	\$ 1,728
2025	3,645
2026	3,746
2027	3,851
2028	3,958
Thereafter	<u>133,072</u>
<b>TOTAL</b>	<b><u>\$150,000</u></b>

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**14. 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 2024.

**15. GOVERNMENT PROGRAMS - ERTC**

During 2022 and 2021, the Center became qualified for and participated in certain federal government assistance programs under the Coronavirus Aid Relief And Economic Security (CARES) Act, including the Employee Retention Tax Credit (ERTC), and the Paycheck Protection Program (PPP) administered under the Small Business Administration (SBA).

The amount claimed under the Employee Retention Tax Credit program amounted to \$155,475 and is recorded within Non-Operating Activities in the Statement of Activities.

**16. SUBSEQUENT EVENTS**

Smith Center has evaluated subsequent events occurring after the statement of financial position date through the date of January 5, 2024, the date the financial statements were available for release. Smith Center is not aware of any subsequent events.