



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

**REPORT ON
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED
FINANCIAL INFORMATION FOR 2018**

**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

I have audited the accompanying financial statements of Smith Center which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimated

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Smith Center as of June 30, 2019 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.

INDEPENDENT AUDITOR'S REPORT

(continued)

Report on Summarized Comparative Information

I have previously audited the Smith Center's 2018 financial statements, and my report dated September 30, 2018, 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, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

No. 2019 SIOG

Washington, DC
November 26, 2019

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

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 771,156	\$ 426,802
Investments	9	6,482
Grants & pledges receivable (note 4)	70,802	89,597
Accrued rent receivable (note 9)	5,928	-
Prepaid expenses	22,522	23,996
	<u>870,417</u>	<u>546,877</u>
Property & Equipment - at Cost		
Land	333,085	333,085
Building	611,079	611,079
Improvements	1,157,622	1,157,622
Website	24,200	24,200
Furniture and equipment	261,776	254,837
	<u>2,387,762</u>	<u>2,380,823</u>
Less: accumulated depreciation	(802,988)	(737,128)
	<u>1,584,774</u>	<u>1,643,695</u>
Other Non-Current Assets		
Cash held in escrow	5,796	5,796
Art	18,250	18,250
	<u>24,046</u>	<u>24,046</u>
TOTAL ASSETS	<u>\$ 2,479,237</u>	<u>\$ 2,214,618</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 106,032	\$ 96,127
Deferred revenue	48,800	57,326
Federal and state income tax payable	995	995
Sales tax payable	56	441
	<u>155,883</u>	<u>154,889</u>
Long-Term Liabilities		
Security deposit payable non-current	5,796	5,796
	<u>5,796</u>	<u>5,796</u>
Total Liabilities	<u>161,679</u>	<u>160,685</u>
Net Assets		
Without donor restrictions	2,193,401	1,985,621
With donor restrictions (note 6)	124,157	68,312
	<u>2,317,558</u>	<u>2,053,933</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,479,237</u>	<u>\$ 2,214,618</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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	Without Donor Restrictions	With Donor Restrictions	2019	2018
REVENUE				
Grants and contributions	\$ 588,787	\$ 158,000	\$ 746,787	\$ 680,730
State and federal awards	12,550	-	12,550	70,058
Fees from programs	289,659	-	289,659	80,764
Event	531,275	-	531,275	445,138
Dividends and interest income	1,041	-	1,041	433
Rental income	87,109	-	87,109	112,335
Other income-Book/Art sales	1,202	-	1,202	13,444
In-kind contributions	97,234	-	97,234	103,207
Realized (loss) on sale of equities	61	-	61	-
Net assets released from restrictions for:				
Gallery	43,904	(43,904)	-	-
Cancer Support Program	17,000	(17,000)	-	-
General Support - time restrictions	38,334	(38,334)	-	-
Artists in Residence	2,917	(2,917)	-	-
TOTAL REVENUE	1,711,073	55,845	1,766,918	1,506,109
EXPENSES				
Program Services Expenses:				
Health and Wellbeing	765,358	-	765,358	626,143
Education and Training	13,423	-	13,423	64,421
Art & Healing	317,842	-	317,842	281,068
Total Program Services Expenses	1,096,623	-	1,096,623	971,632
Supporting Services Expenses:				
Management and General	54,312	-	54,312	68,504
Fundraising	326,114	-	326,114	393,195
U Street	26,244	-	26,244	33,243
Total Supporting Services Expenses	406,670	-	406,670	494,942
TOTAL EXPENSES	1,503,293	-	1,503,293	1,466,574
Change in net assets	207,780	55,845	263,625	39,535
Net Assets, Beginning of Year	1,985,621	68,312	2,053,933	2,014,055
Unrealized gain on investment	-	-	-	343
NET ASSETS, END OF YEAR	\$ 2,193,401	\$ 124,157	\$ 2,317,558	\$ 2,053,933

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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	Health and Wellbeing	Education and Training	Art & Healing	Total Program Expenses	Management and General	Fund-raising	U Street	2019	2018
Salary expense	\$ 346,146	\$ 5,281	\$ 61,237	412,664	\$ 18,325	\$ 94,110	\$ 14,303	\$ 539,402	\$ 567,237
Payroll taxes & fringe benefits	103,623	618	14,449	118,690	(4,334)	34,596	3,456	152,408	136,214
Advertising	652	2	1,777	2,431	17	79	10	2,537	1,467
Bad debt expense	-	-	-	-	1,000	-	-	1,000	-
Business insurance	12,459	81	3,778	16,318	687	3,996	422	21,423	18,950
Conferences & training	1,114	-	-	1,114	-	87	-	1,201	6,137
Consultant fees	109,506	1,756	168,400	279,662	5,181	54,051	1,623	340,517	266,494
Depreciation & amortization	11,916	74	1,773	13,763	690	4,361	46,881	65,695	71,244
Dues, memberships and fees	4,161	21	1,418	5,600	2,545	1,361	116	9,622	9,701
Gala event expenses	-	-	-	-	(1,000)	84,750	-	83,750	86,622
Information technology	10,633	176	1,577	12,386	529	4,650	334	17,899	38,139
Legal fees	-	-	-	-	-	-	(500)	(500)	1,249
Maintenance & repairs	21,874	140	4,450	26,464	1,216	7,176	3,311	38,167	34,414
Management fees	-	-	-	-	-	-	14,620	14,620	11,109
Occupancy costs and utilities	52,113	588	22,477	75,178	2,388	22,224	(70,259)	29,531	28,396
Office & program supplies	15,698	48	12,747	28,493	3,134	2,020	175	33,822	33,638
Postage & delivery	4,797	12	624	5,433	142	2,085	63	7,723	9,885
Printing & copying	8,338	1	7,086	15,425	11	4,442	7	19,885	22,212
Real estate and other taxes	895	5	568	1,468	221	389	11,681	13,759	12,551
Retreat rent and other expenses	5,693	-	-	5,693	332	-	-	6,025	1,840
Travel	6,391	-	379	6,770	357	445	1	7,573	5,867
Total Expenses before In-Kind	716,009	8,803	302,740	1,027,552	31,441	320,822	26,244	1,406,059	1,363,366
In-Kind Donations	49,349	4,620	15,102	69,071	22,871	5,292	-	97,234	103,208
Total Expenses	\$ 765,358	\$ 13,423	\$ 317,842	\$ 1,096,623	\$ 54,312	\$ 326,114	\$ 26,244	\$ 1,503,293	\$ 1,466,574

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, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions and grants	\$ 677,128	\$ 744,364
Cash received from contract services	238,848	43,703
Cash received from events	531,275	445,138
Cash collected from sale in gallery	1,202	13,919
Cash received from subtenants	81,181	112,335
Dividends and interest income	1,102	433
Cash paid to employees and related benefits	(691,810)	(703,684)
Cash paid to management consultants	(209,342)	(148,091)
Cash paid for accounting and auditing fees	(30,567)	(56,216)
Cash paid to gala events	(83,750)	(87,422)
Cash paid to suppliers and vendors	(155,640)	(281,858)
State and Income taxes paid	(13,760)	(11,604)
Net cash provided by operating activities	345,867	71,017
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of securities	5,426	-
Purchase of furniture, equipment and building renovations	(6,939)	(69,723)
Net cash flows from investing activities	(1,513)	(69,723)
Net increase in cash and cash equivalents	344,354	1,294
Cash, beginning of year	432,598	431,304
CASH & CASH EQUIVALENT, END OF YEAR	\$ 776,952	\$ 432,598
<hr/>		
CASH AND CASH EQUIVALENTS, END OF YEAR:		
Cash and cash equivalents	\$ 776,952	\$ 432,598
Less: Cash and cash equivalents held by third party	(5,796)	(5,796)
	\$ 771,156	\$ 426,802

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, 2019**

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 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.

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 programs including bringing artists onsite to work with patients, caregivers and staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Smith Center have been prepared on the accrual basis. Under the accrual basis of accounting, income is recognized in the period it is earned, and expenses are recognized when incurred in accordance with accounting principles generally accepted in the United States 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, 2019**

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 \$771,156 and \$426,802 in banks and on hand in 2019 and 2018 respectively. As of June 30, 2019, Smith Center has a checking and a savings accounts at BB&T combined is subject to the FDIC \$250,000 limit.

Cash and cash equivalents held by third party:

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, 2019 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.

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 \$65,695 and \$71,244 in 2019 and 2018 respectively. Capital expenditures over \$1,500 are capitalized in the statement of financial position.

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, 2019, 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, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contribution

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.

Contributions with donor imposed conditions such as Federal awards are recognized as assets; and accounted for as deferred revenue until the conditions are met at which time revenue is recognized.

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.

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.

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, 2019, Smith Center has an account at BB&T 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, 2019

4. GRANTS, PLEDGES & ACCOUNTS RECEIVABLE

Grants and pledges receivable in the amount of \$70,802 at June 30, 2019 is due in 2020.

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

5. 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 \$746,134 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$675,332, contributions receivable of \$50,802. 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.

Smith Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management Smith Center intends to invest cash in excess of daily requirements in various short-term investments, including certificates of deposit when appropriate and short-term treasury instruments.

Smith Center has calculated its financial assets available within one year of the statement of financial position date for general expenditures to be as follows:

Assets Without Donor Restrictions Available Within 12 Months:

Cash and cash equivalents (Program and Operations)	\$771,156
Accounts receivables	<u>70,802</u>
Financial assets, at fiscal year-end	\$841,958
Less: those unavailable for general expenditures	
Within one year due to:	
Contractual or donor imposed restrictions	<u>(95,824)</u>
Financial assets available to meet cash needs for	
General expenditures within one year	<u>\$ 746,134</u>

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

6. NET ASSETS WITH DONOR RESTRICTIONS

Restrictions consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Patient Navigation	\$ 65,000	-
Cancer Support Program	8,834	1,833
Artists in Residence	7,083	-
Gallery (time restriction)	14,908	39,812
General Support (time restriction)	<u>28,333</u>	<u>26,667</u>
TOTAL	<u>\$124,158</u>	<u>\$ 68,312</u>

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 2019, in-kind contributions totaled \$97,234 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, finance, fundraising, marketing, and renovations.

8. 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 unrelated businesses is subject to unrelated business income tax under the federal income tax code. As of June 30, 2019, The Center incurred tax liability from the unrelated business activities

9. 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, 2019, straight-line base rents in excess of actual tenant billings were classified as accrued rent adjustments receivable of \$5,928. 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.

10. 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, 2019, Smith Center accrued \$20,112 on behalf of covered employees.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

11. 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% 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.

12. 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 Farm, 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 \$460,000 and \$370,000 in fiscal years 2020 and 2021 respectively.

13. SUBSEQUENT EVENTS

Subsequent to the balance date, and prior to November 26, 2019, the issuing date of the report, Management invested its excess cash of \$200,000 in certificates of deposits for a period ranges from three to twelve months at 1.60% interest rate. The certificates of deposits are renewed automatically unless Management decides to terminate the certificate of deposit.

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

14. RECENT ACCOUNTING CHANGES (NOT YET ADOPTED)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Smith Farm has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Non-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in the ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction should be accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contacts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. Smith Farm as not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.