
HEYDAY

FINANCIAL STATEMENTS

December 31, 2019

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2018)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

HEYDAY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Heyday
Berkeley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Heyday, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heyday as of December 31, 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.

Report on Summarized Comparative Information

We have previously audited the Heyday's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croody & Lameda CPAs LLP
Oakland, California
July 2, 2020

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Statement of Financial Position December 31, 2019 (With Comparative Totals as of December 31, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 908,948	\$ 934,064
Accounts receivable, net (Note 3)	207,638	205,818
Contributions receivables	2,466	9,000
Inventory	431,405	453,935
Royalty advances	90,193	148,752
Work in progress	65,650	103,296
Prepaid expenses	41,793	16,066
Total Current Assets	<u>1,748,093</u>	<u>1,870,931</u>
Deposits	<u>6,500</u>	<u>6,500</u>
Total Assets	<u><u>\$ 1,754,593</u></u>	<u><u>\$ 1,877,431</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 252,860	\$ 243,160
Accrued vacation	28,984	25,015
Deferred revenue (Note 4)	103,742	92,412
Total Liabilities	<u>385,586</u>	<u>360,587</u>
Net Assets		
Without donor restrictions	1,170,459	1,222,523
With donor restrictions (Note 7)	198,548	294,321
Total Net Assets	<u>1,369,007</u>	<u>1,516,844</u>
Total Liabilities and Net Assets	<u><u>\$ 1,754,593</u></u>	<u><u>\$ 1,877,431</u></u>

See Notes to the Financial Statements

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Statement of Activities For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support and Revenue				
Support				
Foundation and individual contributions	\$ 285,308	\$ 254,695	\$ 540,003	\$ 394,878
Special events, net (Note 8)	102,515		102,515	98,319
Government grants			-	71,925
In-kind support (Note 10)	45,908		45,908	11,992
Total Support	<u>433,731</u>	<u>254,695</u>	<u>688,426</u>	<u>577,114</u>
Revenue				
Book sales, net (Note 9)	1,130,775		1,130,775	1,257,772
Co-publishing	25,000		25,000	119,240
Subscriptions and advertising	41,884		41,884	45,622
Miscellaneous	7,784		7,784	5,614
Total Revenue	<u>1,205,443</u>	<u>-</u>	<u>1,205,443</u>	<u>1,428,248</u>
Support provided by expiring time and purpose restrictions	350,468	(350,468)	-	-
Total Support and Revenue	<u>1,989,642</u>	<u>(95,773)</u>	<u>1,893,869</u>	<u>2,005,362</u>
Expenses				
Program	1,567,061		1,567,061	1,177,074
Management and general	358,241		358,241	358,239
Fundraising	116,404		116,404	146,744
Total Expenses	<u>2,041,706</u>	<u>-</u>	<u>2,041,706</u>	<u>1,682,057</u>
Change in net assets	(52,064)	(95,773)	(147,837)	323,305
Net Assets, beginning of year	<u>1,222,523</u>	<u>294,321</u>	<u>1,516,844</u>	<u>1,193,539</u>
Net Assets, end of year	<u>\$ 1,170,459</u>	<u>\$ 198,548</u>	<u>\$ 1,369,007</u>	<u>\$ 1,516,844</u>

See Notes to the Financial Statements

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Statement of Cash Flows For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (147,837)	\$ 323,305
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	-	11,376
Changes in assets and liabilities:		
Accounts receivable	(1,820)	(54,623)
Contributions receivable	6,534	23,800
Inventory	22,530	(67,512)
Royalty advance	58,559	(15,400)
Work in progress	37,646	17,368
Prepaid expenses	(25,727)	1,176
Deposits	-	(1,625)
Accounts payable and accrued expenses	9,700	(152,785)
Accrued vacation	3,969	(808)
Deferred revenue	11,330	(7,864)
Net cash provided (used) by operating activities	<u>(25,116)</u>	<u>76,408</u>
Net change in cash and cash equivalents	(25,116)	76,408
Cash and cash equivalents, beginning of year	<u>934,064</u>	<u>857,656</u>
Cash and cash equivalents, end of year	<u>\$ 908,948</u>	<u>\$ 934,064</u>

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**Statement of Functional Expenses
For the Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

	Program	Management and General	Fundraising	Total	
				2019	2018
Salaries	\$ 392,799	\$ 228,758	\$ 82,105	\$ 703,662	\$ 622,761
Benefits	40,605	23,532	7,497	71,634	53,617
Payroll taxes	32,750	16,737	6,886	56,373	48,396
Total Personnel	<u>466,154</u>	<u>269,027</u>	<u>96,488</u>	<u>831,669</u>	<u>724,774</u>
Legal	-	2,000	-	2,000	3,605
Accounting fees	-	21,807	-	21,807	25,856
Contract services	56,085	5,912	-	61,997	51,413
Advertising and commissions	13,107	20	-	13,127	74,410
Supplies and office expense	68,286	8,829	5,045	82,160	90,993
Information technology	12,564	513	551	13,628	13,837
Travel and meals	11,739	10,611	3,093	25,443	32,980
Occupancy	52,435	30,445	10,232	93,112	55,388
Royalties	204,960	-	-	204,960	229,129
Conferences and meetings	68,993	3,570	995	73,558	27,207
Insurance	1,354	5,507	-	6,861	7,289
Depreciation	-	-	-	-	11,376
Loss on inventory write-off	113,864	-	-	113,864	42,698
Bad debt expense	79,974	-	-	79,974	6,437
Warehouse and distribution fees	417,546	-	-	417,546	281,046
Miscellaneous	-	-	-	-	3,619
Expenses by Function	<u>1,567,061</u>	<u>358,241</u>	<u>116,404</u>	<u>2,041,706</u>	<u>1,682,057</u>
Expenses reported on a net basis on the Statement of Activities					
Cost of goods sold	487,004	-	-	487,004	483,584
Direct donor benefit	-	-	31,418	31,418	42,646
Total Expenses	<u>\$ 2,054,065</u>	<u>\$ 358,241</u>	<u>\$ 147,822</u>	<u>\$ 2,560,128</u>	<u>\$ 2,208,287</u>

See Notes to the Financial Statements

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 1: NATURE OF ACTIVITIES

Heyday (the Organization), a California nonprofit corporation, is an independent, nonprofit publisher and unique cultural institution promoting awareness and celebration of California's many cultures, landscapes and boundary-breaking ideas. Heyday is building a community of readers, writers and thinkers through books, public events and innovative outreach programs. Sources of revenue are primarily donations and book sales.

NOTE 2: 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 States of America (GAAP).

Net Assets

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

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

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

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounting for Book Sales

Book sales are recorded upon delivery to booksellers and distributors, and are presented net of cost of goods sold. The Organization has an allowance for sales return and adjustments to the allowance are netted against book sales.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from customers on performance contracts. The Organization records accounts receivable net of allowance for sales returns and allowance for doubtful accounts. Allowance for sales returns is estimated based on percentage of historical returns weighted by date since original purchase. Allowance for doubtful accounts is estimated based on aged receivables greater than 90 days not collected within the first quarter of the subsequent fiscal year.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition. The Organization considers all contributions receivable to be fully collectible at December 31, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Inventory

Inventory consists of books which are carried at the lower of cost or market applied on a consistent basis. Costs include production costs, printing and freight-in. Items are reviewed annually for impairment and are written off if deemed slow-moving or damaged.

Royalty Advances

Royalty advances represent advance payments to authors during the production phase of books to be earned out against future book sales. The Organization reviews royalty advances for impairment annually as part of its review of slow-moving inventory.

Work in Progress

Work in progress consists of production costs associate with books which have not been published as of December 31, 2019.

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$2,500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	5-7 years
Computer equipment	5 years

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable. As of December 31, 2019, all property and equipment was fully depreciated.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of December 31, 2019 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on December 31, 2019.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Expense Recognition and Allocation

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

Salaries and wages, benefits, and payroll taxes are allocated based on percentages per employee.

Occupancy, depreciation, and amortization, and interest are allocated on the overall allocations for all employees.

Telephone and internet services, insurance, and supplies and miscellaneous expenses that cannot be directly identified are allocated on the basis above (percentage allocations per employee).

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

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

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 304,878	\$ 292,073
Less: Allowance for doubtful accounts	(22,595)	(15,595)
Less: Allowance for sales returns	<u>(74,645)</u>	<u>(70,660)</u>
Total	<u>\$ 207,638</u>	<u>\$ 205,818</u>

NOTE 4: DEFERRED REVENUE

Deferred revenue consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Sales credit memos	\$ -	\$ 10,404
Unearned publishing fees	50,000	50,000
Co-publishing	25,000	-
Unearned subscription fees	<u>28,742</u>	<u>32,008</u>
Total	<u>\$ 103,742</u>	<u>\$ 92,412</u>

NOTE 5: COMMITMENTS**Operating Leases**

The Organization leases office space under a non-cancelable lease in Berkeley, California that expires on November 2023. Future minimum lease payments were as follows for the years ended December 31:

2020	\$ 80,540
2021	82,947
2022	85,437
2023	<u>80,465</u>
Total	<u>\$ 329,389</u>

Rent for the years ended December 31, 2019 and 2018 was \$75,375 and \$55,297, respectively.

NOTE 6: CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Fiscally sponsored projects	\$ 52,862	\$ 47,567
Book projects	<u>145,686</u>	<u>246,754</u>
Total	<u>\$ 198,548</u>	<u>\$ 294,321</u>

NOTE 8: SPECIAL EVENT

The Organization held a fundraising event during the year. Activity related to the event was as follows during the years ended December 31:

	<u>2019</u>	<u>2018</u>
Event proceeds	\$ 133,933	\$ 140,965
Less: Costs of direct donor benefit	<u>(31,418)</u>	<u>(42,646)</u>
Total	<u>\$ 102,515</u>	<u>\$ 98,319</u>

NOTE 9: BOOK SALES

Books sales were as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Book sales	\$ 1,617,779	\$ 1,741,356
Cost of goods sold	<u>(487,004)</u>	<u>(483,584)</u>
Total	<u>\$ 1,130,775</u>	<u>\$ 1,257,772</u>

Shipping and handling costs are reported on the statement of functional expense as warehouse and distribution fees.

NOTE 10: IN-KIND SUPPORT

The Organization received the benefit of the following in-kind support during the years ended December 31:

	<u>2019</u>	<u>2018</u>
Royalties	\$ 42,668	\$ 11,992
Storage	<u>3,240</u>	<u>-</u>
Total	<u>\$ 45,908</u>	<u>\$ 11,992</u>

NOTE 11: LINE OF CREDIT

The Organization has a secured line of credit with a bank for a total of \$100,000 to be drawn down upon as needed, with a variable interest rate at the Wall Street Journal Prime Rate + .75%. As of December 31, 2019, there was no outstanding balance.

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Notes to the Financial Statements For the Year Ended December 31, 2019 (With Comparative Totals for the Year Ended December 31, 2018)

NOTE 12: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of July 2, 2020, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose other than the information noted below:

PUBLIC HEALTH ORDER – CORONAVIRUS

The Organization operates in an area which was affected by the COVID-19 coronavirus and in March 2020 the area was subject to a public health order which affected activities of the Organization.

NOTE 13: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 are:

Financial assets:	
Cash and cash equivalents	\$ 908,948
Accounts receivable, net	207,638
Contributions receivable	<u>2,466</u>
Total financial assets	1,119,052
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	<u>(198,547)</u>
Amount available for general expenditures within one year	<u>\$ 920,505</u>

As part of the Organization's liquidity management plan, the Organization deposits funds in cash in excess of daily requirements in cash and cash equivalents. The Organization maintains a revolving line of credit of \$100,000 to cover short-term cash needs.