

VOLUNTEER CENTER  
SOUTH BAY-HARBOR-LONG BEACH  
FINANCIAL STATEMENTS

JUNE 30, 2022

## CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
NOTES TO THE FINANCIAL STATEMENTS	7 – 18

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Volunteer Center South Bay-Harbor-Long Beach

### **Opinion**

We have audited the accompanying financial statements of Volunteer Center South Bay-Harbor-Long Beach (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Volunteer Center South Bay-Harbor-Long Beach 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**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Volunteer Center South Bay-Harbor-Long Beach and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 about Volunteer Center South Bay-Harbor-Long Beach's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## INDEPENDENT AUDITORS' REPORT (Continued)

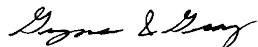
### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are 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 auditors' report that includes our 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 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, we:

- 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 Volunteer Center South Bay-Harbor-Long Beach's 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Volunteer Center South Bay-Harbor-Long Beach's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.



Guzman & Gray, CPAs  
Long Beach, CA  
October 6, 2022

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

ASSETS			
	Without Donor Restrictions	With Donor Restrictions	Total
<b>CURRENT ASSETS</b>			
Cash	\$ 319,443	\$ 90,208	\$ 409,651
Inventory	2,311	36,845	39,156
Prepaid expenses	3,931		3,931
Total current assets	325,685	127,053	452,738
<b>INVESTMENTS</b>			
Endowment funds			
Endowment fund	1,197,366		1,197,366
Hicks Legacy		206,023	206,023
Durfee scholarship		68,261	68,261
Total endowment funds	1,197,366	274,284	1,471,650
Other board designated funds			
Maintenance	151,881		151,881
Reserve	18,887		18,887
Total other board designated funds	170,768		170,768
Total investments	1,368,134	274,284	1,642,418
<b>PROPERTY AND EQUIPMENT,</b>			
Net of \$642,771 of accumulated depreciation	571,350		571,350
<b>OTHER ASSETS</b>			
Deposits	1,400		1,400
Total other assets	1,400		1,400
<b>TOTAL ASSETS</b>	<b>\$ 2,266,569</b>	<b>\$ 401,337</b>	<b>\$ 2,667,906</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 32,652		\$ 32,652
Accrued payroll and related liabilities	31,751		31,751
Total current liabilities	64,403		64,403
<b>LONG-TERM LIABILITIES</b>			
Economic Injury Disaster Loan	150,000		150,000
Total liabilities	214,403		214,403
<b>NET ASSETS</b>			
Without Donor Restrictions			
Undesignated	727,833		727,833
Board designated	1,324,333		1,324,333
Total net assets	2,052,166		2,453,503
With Donor Restrictions			
Total net assets	401,337	\$ 401,337	401,337
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,266,569</b>	<b>\$ 401,337</b>	<b>\$ 2,667,906</b>

See Independent Auditors' Report and Notes to the Financial Statements.

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Grants	\$ 47,277	\$ 142,323	189,600
Contributions and appeals	75,142	13,813	88,955
Fiscal sponsorship	7,100		7,100
Legacies		11,000	11,000
Program fees	386,488		386,488
Investment return, net	(174,192)		(174,192)
In-kind goods		200,453	200,453
In-kind rent	37,134		37,134
Gross special events revenue	\$ 104,268		
Less cost of direct benefits to donors	<u>(39,462)</u>		
Net special event revenue		64,806	64,806
	443,755	367,589	811,344
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	417,171	(417,171)	
<b>TOTAL SUPPORT AND REVENUE</b>	<u>860,926</u>	<u>(49,582)</u>	<u>811,344</u>
<b>EXPENSES</b>			
Program services	923,464		923,464
Supporting services:			
Management and general	69,988		69,988
Fundraising	136,214		136,214
<b>TOTAL EXPENSES</b>	<u>1,129,666</u>	<u></u>	<u>1,129,666</u>
<b>CHANGE IN NET ASSETS</b>	(268,740)	(49,582)	(318,322)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,320,906</u>	<u>450,919</u>	<u>2,771,825</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,052,166</u>	<u>\$ 401,337</u>	<u>\$ 2,453,503</u>

See Independent Auditors' Report and Notes to the Financial Statements.

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Programs	Supporting Services		Cost of Direct Benefit to Donors	Total
		Management and General	Fundraising		
Salaries and wages	\$ 467,620	\$ 10,377	\$ 25,537		\$ 503,534
Employee benefits	20,054	482	1,478		22,014
Payroll taxes	38,454	(110)	1,978		40,322
Total personnel costs	526,128	10,749	28,993		565,870
Bank and credit card fees	3,359	2,249			5,608
Building expenses	8,296	1,767	1,061		11,124
Employee training	1,580	481			2,061
Equipment rental and maintenance	5,824	1,756	1,719		9,299
Fund development and donor relations	182	55	8,377		8,614
In-kind goods	151,832	5,697	33,298		190,827
In-kind rent	37,134				37,134
Insurance	17,057	1,075	1,313		19,445
Memberships, dues and permits	276	219	459		954
Mileage and parking	7				7
Occupancy	37,187	30	60		37,277
Printing and postage	746	425	57		1,228
Professional fees	31,587	18,600	55,000		105,187
Program materials	35,087	79			35,166
Property taxes	864	136	136		1,136
Repairs and maintenance	892	17,062	41		17,995
Special events				\$ 39,462	39,462
Sponsorships	16,325				16,325
Subscriptions	52	1,399			1,451
Supplies		1,752			1,752
Telephone	21,983	1,091	1,091		24,165
Utilities	11,080	2,238	976		14,294
Volunteer recognition		225			225
Website, email and social media		772	436		1,208
Total expenses before depreciation	907,478	67,857	133,017	39,462	1,147,814
Depreciation	15,986	2,131	3,197		21,314
Less expenses included with revenues on the statement of activities and changes in net assets:					
Cost of direct benefits to donors				(39,462)	(39,462)
Total expenses included in expense section on the statement of activities and changes in net assets	\$ 923,464	\$ 69,988	\$ 136,214	\$ -	\$ 1,129,666

See Independent Auditors' Report and Notes to the Financial Statements.

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ (318,322)
Adjustments to reconcile decrease in net assets to net cash provided from operating activities	
Depreciation	21,314
Unrealized loss on investments	339,137
Realized gain on investments	(480)
Legacy endowment	(10,000)
(Increase) decrease in:	
Inventory	(19,787)
Prepaid expenses	(1,513)
Increase (decrease) in:	
Accounts payable	13,598
Accrued payroll and accrued vacation	(4,034)
Net cash from operating activities	<u>19,913</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	1,821
Investment transfers to cash	92,643
Reinvestments	<u>(166,801)</u>
Net cash from investing activities	<u>(72,337)</u>
NET CHANGE IN CASH AND RESTRICTED CASH	(52,424)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	<u>462,075</u>
CASH AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 409,651</u></u>
SUPPLEMENTAL DISCLOSURES	
INTEREST PAID	<u>NONE</u>
TAXES PAID	<u>NONE</u>

See Independent Auditors' Report and Notes to the Financial Statements.



VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 – ORGANIZATION

The Volunteer Center South Bay-Harbor-Long Beach (the “Center”) is a nonprofit 501(c)(3) organization located in southwest Los Angeles County. The Center was founded in 1963 to bring people and resources together to address urgent community needs. For nearly 60 years, the Center has been a trusted presence in the South Bay, Harbor, and Long Beach communities and beyond. The Center administers various programs such as Food for Kids, Operation Teddy Bear, the Court-Referred Community Service program, and youth support initiatives such as Connect. The Center has decades-long partnerships and relationships across the nonprofit, educational, government, and business sectors. The Center’s current focus and strategic direction, *Engaging Hearts and Minds*, is the result of significant research, evaluation, and discussion with partners and experts on where and how care is needed most.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Center uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. The Center’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Net assets released from donor restrictions

Net assets are released by incurring expenses satisfying the restriction or by occurrence of other events specified by donors.

Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all debt instruments purchased with original maturities of three months or less to be cash equivalents.

Inventory

The Center receives donated food for their Food for Kids program throughout the year. Based on management's evaluation and the average value of various food types per the United States Department of Agriculture (USDA) site, the Center valued donated food at \$1.50 per pound. Donated food is recorded in inventory at the lower of cost or fair market value at June 30, 2022. Cost is determined using the First in – First out (FIFO) method.

The Center also has other inventory which consists of film-related toys and promotional items. This was a special one-time donation which was recorded at fair value at the time of donation.

Investments

Investments are recorded at fair market value net of realized and unrealized gains and losses; realized gains and losses on investments are reflected in the statement of activities and changes in net assets.

Pledges Receivable

Contributions, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. Promises made and collected in the same reporting period are recorded when received in the appropriate net asset category. Promises of non-cash assets are recorded at fair value. Conditional promises are recorded when donor stipulations are substantially met. Discounts are applied to certain fundraising pledge receivables. The discounts are based on the date management believes the pledges receivables will be collected. The Center has no pledges receivables at June 30, 2022.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated items of a capital nature are recorded at fair market value at the date of donation. Repairs and maintenance of a normal nature are expensed. Betterments, which extend the life of an asset, are capitalized. Buildings and improvements are depreciated on a straight-line method based on useful lives of 20-40 years. All office furniture and equipment are depreciated on a straight-line method based on useful lives of 5-7 years.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to their short-term nature. The carrying amount of long-term debt approximates fair value as the current interest rate approximates market rate.

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Center applies the five-step model to contracts when it is probable that the Center will collect the consideration it is entitled. To determine revenue recognition for arrangements within the scope of ASC Topic 606, Revenue from Contracts with Customers, the Center performs the following five steps: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when or as the Center satisfies a performance obligation. The Center then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied.

A summary of significant revenue recognition policies is as follows:

Grants, contributions and appeals

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Unconditional promises to give (i.e., pledges) are recognized when made by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Fiscal Sponsorship

Fiscal sponsorships are recognized as revenue in the period the fiscally sponsored projects occurred.

Legacies

Legacies can be either conditional or unconditional. Conditional gifts are dependent upon the occurrence of a future event. Unconditional gifts are not restricted and are irrevocable. The gift is not irrevocable if the donor can cancel the gift sometime in the future. Unconditional irrevocable gifts are recognized as revenue when received. Conditional gifts are not recognized until the conditions on which they depend have occurred.

Program Fees

Program fees mainly consist of court referral fees which are recognized in the period in which services are rendered

Special Events

Special events are organized to raise contributions to support the Center's activities. The participants of these events are offered something of value for a sum that exceeds the costs of the benefits provided to the participants. The difference between the amount paid by the donor and the fair value of the benefit received by the donor is considered a contribution.

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Special Events

The items of value given to the donor are referred to as “cost of direct benefits to donors.” These are the actual costs of the items and services furnished to the donor to attend the special event. The cost of direct benefit to donors is presented as a line item deducted from gross special events revenue in the statement of activities and changes in net assets.

Donated Services and Material

Contribution of services shall be recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. The Center received numerous hours of donated volunteer time to support various program activities that did not meet the criteria for such hours to be recorded and, therefore, no amounts have been reflected in the financial statements for the year ended June 30, 2022. Donated materials and assets are recorded at fair market value at the date of the gift as described in Note 9.

Accrued Vacation

Accruals for vacation are made on a monthly basis as such benefits become payable to employees. Pay rate increases are applied to the hours earned in prior periods, if any, and are reported in salaries and wages in the statement of functional expenses.

Income Tax Status

The Center has qualified for tax-exempt status under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701(d). The Center has also been classified by the Internal Revenue Service as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(c)(2).

The Center evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more likely than not be sustained upon examination. At June 30, 2022, management does not believe the Center has any uncertain tax positions requiring accrual or disclosure. The Center is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Functional Allocation of Expenses

The costs of providing the various program and support services activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management which is based on the prorated share of direct program expenses incurred by the programs for operating expenses. Expenses that can be identified with specific programs and supporting services are allocated directly according to their natural expenditure classification.

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022. The Center is currently evaluating the impact of the adoption of the new standard on the financial statements.

In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, which allows lessees that are not public business entities to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. ASU 2021-09 allows those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. ASU 2021-09 requires that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. Entities that have not yet adopted ASU 2016-02, *Leases (Topic 842)* as of November 11, 2021, are required to adopt ASU 2021-09 at the same time they adopt ASU 2016-02, *Leases (Topic 842)*. For entities that have adopted ASU 2016-02, *Leases (Topic 842)* as of November 11, 2021, ASU 2021-09 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Earlier application is permitted. The Center is currently evaluating the impact of the adoption of ASU 2021-09 on the financial statements.

NOTE 3 – FAIR VALUE MEASUREMENTS

U.S. GAAP emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As a basis for considering market participant assumptions in fair market value measurements, U.S. GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Level 1 inputs utilize quoted prices in active market for identical assets or liabilities that an organization has the ability to access. Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability, such as interest rates, that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 3 – FAIR VALUE MEASUREMENTS

In instances where the determination of the fair value measurement is based upon inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2022:

Money market fund, exchange-traded and mutual funds: Valued using readily determinable fair values based on quoted prices in active markets.

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market fund	\$ 5,915	\$ 5,915
Exchange-traded and mutual funds	1,636,503	1,636,503
	\$ 1,642,418	\$ 1,642,418

NOTE 4 – INVESTMENTS

Investments consist of the following at June 30, 2022:

	Cost	Unrealized Gain	Fair Value
Money market fund	\$ 5,915		\$ 5,915
Exchange-traded and mutual funds	1,506,218	\$ 130,285	1,636,503
	\$ 1,512,133	\$ 130,285	\$ 1,642,418

Net investment return consists of the following for the year ended June 30, 2022:

Dividends and interest	\$ 164,465
Unrealized loss	(339,137)
Realized gain	480
	\$ (174,192)

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 5 - INVENTORY

Inventory consists of the following at June 30, 2022:

Food	\$	36,845
Film-related toys and promotional items		2,311
		39,156
	\$	39,156

NOTE 6 – PROPERTY AND EQUIPMENT, net

Property and equipment consist of the following at June 30, 2022:

Land	\$	285,715
Buildings and improvements		829,200
Office furniture and equipment		99,206
		1,214,121
Less: Accumulated depreciation		(642,771)
	\$	571,350

Depreciation expense for the year ended June 30, 2022 totaled \$21,314.

NOTE 7 – ECONOMIC INJURY DISASTER LOAN

In August 2020, the Center received loan proceeds in the amount of \$150,000 under the Small Business Administration Economic Injury Disaster Loan program (EIDL). The loan is payable for thirty years at an interest rate of 2.75%. Due to the continued adverse effects of the COVID-19 emergency, the Small Business Administration granted an additional 6-month deferment of principal and interest payments to existing EIDL borrowers. EIDL has a total deferment of 30 months from the date of the note. Installment payments include principal and interest totaling \$641 per month.

NOTE 8 – NET ASSETS

Board designated

The Center's board of directors has designated funds in a separate investment account for future building maintenance and repairs. The board has also designated funds to establish an endowment fund to support the general operations and programs of the Center. However, the board of directors could make the designated funds available for general use, if necessary.

Board designated net assets consist of the following at June 30, 2022:

Endowment fund	\$	1,153,565
Future building maintenance and repairs		151,881
Reserve fund		18,887
		1,324,333
	\$	1,324,333

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 8 – NET ASSETS (Continued)

Net assets with donor restrictions

Net assets with donor restrictions consist of the following at June 30, 2022:

Specific purpose and passage of time:	
Durfee Scholarship	\$ 43,801
Food For Kids	68,538
Visions of Unity	1,246
Other Programs	13,468
	127,053
Perpetual in nature:	
Hick's Legacy endowment	206,023
Durfee Scholarship	68,261
	274,284
	\$ 401,337

Net assets released from net assets with donor restrictions either by incurring expenses which satisfied the restricted purposes or passage of time, or by the occurrences of other events specified by donors during the year ended June 30, 2022 are as follows:

Satisfaction of purpose restrictions:	
Durfee Scholarship	\$ 10,000
Food For Kids	155,467
Operation Teddy Bear	183,647
Connect	58,701
Visions of Unity	6,525
Other Programs	2,831
	417,171
	\$ 417,171

NOTE 9 – IN-KIND DONATIONS

The Center received in-kind donations to support program activities and consist of the following for the year ended June 30, 2022:

In-kind goods	\$ 200,453
In-kind rent	37,134
	237,587
	\$ 237,587



VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 10 – LEASE OBLIGATIONS

The Center leases the use of a copier at its Torrance location under the terms of an operating lease. The lease terms commence in April 2018 and will expire in April 2023. Minimum lease payments are approximately \$501 per month, until its expiration of the lease term.

The remaining future minimum operating lease payments for the year ending June 30, 2022 are as follows:

<u>Year Ended June 30,</u>	
2023	\$ <u>5,010</u>

The Center leases office space and certain office equipment under the terms of operating leases for multiple locations.

The Inglewood, Long Beach and Bellflower leases are month to month. The minimum lease payments for all locations range from approximately \$157 to \$1,625 per month.

Rental facilities expense for the year ended June 30, 2022 totaled \$35,563 which is included in "Occupancy" in the statement of functional expenses. Equipment rental expense for the year ended June 30, 2022 totaled \$4,830 which is included in "Equipment rental and maintenance" in the statement of functional expenses.

NOTE 11 – ENDOWMENT FUNDS

The Center's endowment consists of the Durfee Scholarship Fund and an investment fund. The Durfee Scholarship Fund is distinct from the investment fund. Each has its own Vanguard account, spending policy, and purpose. The Durfee Scholarship Fund distributes scholarships to high school students who demonstrate a commitment to community service despite economic and/or personal hardships. The investment fund provides a growing, stable and perpetual source of funding to support the Center's general operations and programs.

The Center's endowment includes both donor restricted endowment funds and funds designated by the board of directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

General Board Policy on Administration of Endowment Funds

The Center has interpreted the UPMIFA (California Uniform Prudent Management of Institutional Funds Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies net assets with donor restrictions which are perpetual in nature as: (a) the original value of the gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 11 – ENDOWMENT FUNDS (Continued)

Investment Policy for Endowment Funds

The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is considered to be temporary in nature until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA, which became effective in California on January 1, 2009.

The Center has utilized investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and operations supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long-term, allow it to grow at a rate exceeding expected inflation. This is consistent with the Center’s objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. The principal of the endowment assets, or the sum of the contributions, will be invested and managed in perpetuity.

Spending Policy for Endowment Funds

Donor-imposed restrictions

The Center may annually expend on scholarships up to the total amount of income it has earned in the Durfee Scholarship Fund during the fiscal year. The Center does not have to spend all of the interest earned each year. Also, the Board of Directors can pull up to 10% of the Durfee Scholarship Fund balance to use for scholarships as long as that withdrawal does not cause the balance to fall below the restricted principal. The number and size of scholarship given each year is determined by the Center’s Scholarship Committee.

Board designated

The Board of Directors can pull up to 5% of the balance each fiscal year to use for general operations as long as that withdrawal does not cause the remaining balance to fall below \$1,000,000.

Endowment net assets consist of the following at June 30, 2022:

	<u>Undesignated</u>	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowments - undesignated	\$ 43,801			\$ 43,801
Endowments designated by the Board of Directors		\$ 1,153,565		1,153,565
Endowments subject to donor restrictions temporary in nature:				
Hicks Legacy			\$ 206,023	206,023
Durfee Scholarship			68,261	68,261
	<u>\$ 43,801</u>	<u>\$ 1,153,565</u>	<u>\$ 274,284</u>	<u>\$ 1,471,650</u>

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

**NOTE 11 – ENDOWMENT FUNDS (Continued)**

Changes in endowment net assets consist of the following for the year ended June 30, 2022:

	Undesignated	Board Designated	With Donor Restrictions		Total
			Purpose Restricted	Perpetual in Nature	
Endowment net assets, beginning of year	\$ 66,159	\$ 1,362,170		\$ 264,284	\$ 1,692,613
Contributions				10,000	10,000
Withdrawals	(22,358)	(65,219)			(87,577)
Investment return		(143,386)			(143,386)
Endowment net assets, end of year	<u>\$ 43,801</u>	<u>\$ 1,153,565</u>	<u>\$ -</u>	<u>\$ 274,284</u>	<u>\$ 1,471,650</u>

**NOTE 12 – CREDIT RISKS, MARKET AND INTEREST RATE RISKS, UNCERTAINTIES, AND OTHER**

**Credit Risks**

The Center maintains its cash balances in financial institutions located in Southern California. At times, cash balances in financial institutions have exceeded federally insured limits. There were no uninsured cash balances at June 30, 2022. Management believes the Center was not exposed to any significant credit risk. Cash balances deposited and maintained by financial institutions may differ from cash balances presented in the statement of financial position due to timing differences.

**Market and Interest Rate Risks**

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**Uncertainties**

As the COVID-19 pandemic is continually causing enormous consequences across the globe, the impact of the pandemic continues to evolve. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Center's financial condition and results of operations. Management is actively monitoring the impact of the pandemic on its financial condition and results of operations.

**Other**

The Center receives a majority of its public support and revenue from court referral contracts and fees within the South Bay area. Any change in this source of income would have a large impact on the Center's operations. It is management's opinion that revenue from this source will continue, but may experience a gradual decline in the immediate future.

VOLUNTEER CENTER SOUTH BAY-HARBOR-LONG BEACH  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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 June 30, 2022, consist of the following:

Cash	\$ 409,651
Investments	1,642,418
Financial assets, at year end	<u>2,052,069</u>
Less: those unavailable for general expenditures within one year due to:	
Perpetual restrictions	(274,284)
Donor-imposed restrictions	(127,053)
Board designations	<u>(1,324,333)</u>
Financial assets unavailable for general expenditures within one year	<u>(1,725,670)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 326,399</u>

The board of directors and management prepare a budget each year based on their knowledge of prior year transactions and potential transactions. Every month the board of directors and management review the Center's financial statements to determine the Center's liquid position and future prospects.

The board of directors has designated \$1,324,333 of investments for future expenditures as fully described in Note 8. Because of the board of director's designation, those investments are not available for general expenditures within the next year. However, as stated in Note 8, the board of directors could make the designated funds available for general use, if necessary.

NOTE 14 – SUBSEQUENT EVENTS

The Center has evaluated events and transactions for potential recognition or disclosure through October 6, 2022, which represents the date the financial statements were available to be issued.