

VOLUNTEER CENTER  
SOUTH BAY-HARBOR-LONG BEACH  
FINANCIAL STATEMENTS

JUNE 30, 2021

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# *Guzman & Gray*

Certified Public Accountants

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Mark Gray, C.P.A.  
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## INDEPENDENT AUDITORS' REPORT

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

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, 2021, 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.

### **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.

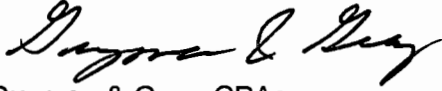
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

INDEPENDENT AUDITORS' REPORT (Continued)

**Opinion**

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, 2021, 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.



Guzman & Gray, CPAs  
Long Beach, CA  
October 15, 2021

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

JUNE 30, 2021

ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
<b>CURRENT ASSETS</b>			
Cash	\$ 294,809	\$ 167,266	\$ 462,075
Inventory		19,369	19,369
Prepaid expenses	2,418		2,418
Total current assets	297,227	186,635	483,862
<b>INVESTMENTS</b>			
Endowment funds			
Endowment fund	1,428,329		1,428,329
Hicks Legacy		196,023	196,023
Durfee scholarship		68,261	68,261
Total endowment funds	1,428,329	264,284	1,692,613
Other board designated funds			
Maintenance	186,428		186,428
Reserve	19,697		19,697
Total other board designated funds	206,125		206,125
Total investments	1,634,454	264,284	1,898,738
<b>PROPERTY AND EQUIPMENT,</b>			
Net of \$621,457 of accumulated depreciation	592,664		592,664
<b>OTHER ASSETS</b>			
Deposits	1,400		1,400
Total other assets	1,400	-	1,400
<b>TOTAL ASSETS</b>	<b>\$ 2,525,745</b>	<b>\$ 450,919</b>	<b>\$ 2,976,664</b>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 19,054		\$ 19,054
Accrued payroll and related liabilities	35,785		35,785
Total current liabilities	54,839		54,839
<b>LONG-TERM LIABILITIES</b>			
Economic Injury Disaster Loan	150,000		150,000
Total liabilities	204,839	-	204,839
<b>NET ASSETS</b>			
Without Donor Restrictions			
Undesignated	752,611		752,611
Board designated	1,568,295		1,568,295
With Donor Restrictions		\$ 450,919	450,919
Total net assets	2,320,906	450,919	2,771,825
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,525,745</b>	<b>\$ 450,919</b>	<b>\$ 2,976,664</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 ENDING JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Grants	\$ 157,974	\$ 283,526	441,500
Contributions and appeals	121,855	700	122,555
Paycheck Protection Program loan forgiveness	54,420		54,420
Economic Injury Disaster Loan forgiveness	10,000		10,000
Fiscal sponsorship	4,825		4,825
Legacies		8,550	8,550
Program fees	4,900		4,900
Court referral fees	316,281		316,281
Investment return, net	386,341		386,341
In-kind goods		167,776	167,776
In-kind rent	29,440		29,440
Gross special events revenue	\$ 20,196		
Less cost of direct benefits to donors	<u>(6,269)</u>		
Net special event revenue	9,750	4,177	13,927
	<u>1,095,786</u>	<u>464,729</u>	<u>1,560,515</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>405,720</u>	<u>(405,720)</u>	
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,501,506</u>	<u>59,009</u>	<u>1,560,515</u>
 <b>EXPENSES</b>			
Program services	941,698		941,698
Management and general	46,426		46,426
Fundraising	36,089		36,089
<b>TOTAL EXPENSES</b>	<u>1,024,213</u>	<u></u>	<u>1,024,213</u>
<b>CHANGE IN NET ASSETS</b>	477,293	59,009	536,302
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,843,613</u>	<u>391,910</u>	<u>2,235,523</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,320,906</u>	<u>\$ 450,919</u>	<u>\$ 2,771,825</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, 2021

	Supporting Services			Cost of Direct Benefit to Donors	Total
	Programs	Management and General	Fundraising		
Salaries and wages	\$ 408,614	\$ 10,788	\$ 23,518		\$ 442,920
Employee benefits	18,066	396	1,152		19,614
Payroll taxes	33,504	614	1,885		36,003
Occupancy	44,787	359	95		45,241
Building expenses	8,378	1,044	501		9,923
Repairs and maintenance	729	921	97		1,747
Memberships, dues and permits	44	636	416		1,096
Subscriptions		56			56
Fund development and donor relations	(105)	357	371		623
Equipment rental and maintenance	5,592	1,657	1,657		8,906
Website, email and social media	881	1,135	127		2,143
Bank and credit card fees	3,194	1,827			5,021
Insurance	16,437	1,098	1,276		18,811
Mileage and parking	54				54
Supplies		598			598
Printing and postage	209	471			680
Professional fees	28,089	17,900			45,989
Program materials	104,163				104,163
Property taxes	862	136	136		1,134
Telephone	20,267	935	935		22,137
Utilities	8,904	3,312	686		12,902
In-kind goods	169,215				169,215
In-kind rent	29,440				29,440
Special events				6,269	6,269
Sponsorships	24,388				24,388
Other expenses		55	40		95
Total expenses before depreciation	925,712	44,295	32,892	6,269	1,009,168
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	-	-		(6,269)	(6,269)
Total expenses included in expense section on the statement of activities and changes in net assets	<u>\$ 941,698</u>	<u>\$ 46,426</u>	<u>\$ 36,089</u>	<u>\$ -</u>	<u>\$ 1,024,213</u>

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

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

FOR THE YEAR ENDING JUNE 30, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 536,302
Adjustments to reconcile decrease in net assets to net cash provided from operating activities	
Depreciation	21,314
Unrealized gain on investments	(257,598)
Realized gain on investments	(3,189)
Paycheck Protection Program loan forgiveness	(54,420)
Economic Injury Disaster Loan forgiveness	(10,000)
(Increase) decrease in:	
Accounts receivable	4,835
Inventory	(4,875)
Prepaid expenses	2,165
Increase (decrease) in:	
Accounts payable	(5,141)
Accrued payroll and accrued vacation	(3,365)
Net cash from operating activities	<u>226,028</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sale of investments	17,183
Purchases of investments	(36,879)
Dividends reinvestments	(125,528)
Net cash from investing activities	<u>(145,224)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Economic Injury Disaster Loan	150,000
Net cash from financing activities	<u>150,000</u>
 <b>NET CHANGE IN CASH AND RESTRICTED CASH</b>	 230,804
 <b>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</b>	 <u>231,271</u>
 <b>CASH AND RESTRICTED CASH, END OF YEAR</b>	 <u><u>\$ 462,075</u></u>
 <b>SUPPLEMENTAL DISCLOSURES</b>	
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, 2021

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 over 55 years, the Center has continued to focus on creating programs that address urgent community needs such as hunger, education, and emotional wellness. The Center folded all of its programs into a new initiative *Engaging Hearts and Minds* which is designed to compassionately support community members’ social and emotional needs. The Center is headquartered in Torrance and serves the South Bay, Harbor and Long Beach areas in California. The Center also serves 44 cities through its *Court Referral Community Service Program*. The Center determines success by measuring the increase in resilience and empathy among the volunteers served by the Center.

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.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)*. The core principle of the guidance in Topic 606 is that an 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 using a five-step approach. The Center’s adoption of ASU 2014-09 does not have a material impact on the Center’s financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 aims to increase transparency of contributed nonfinancial assets, commonly known as gifts-in-kind, through enhancement to presentation and disclosures. Not-for-Profit entities are required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and to disclose the disaggregation of the amount contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. Each category is subject to certain additional disclosures. ASU 2020-07 should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Center’s adoption of ASU 2020-07 does not have material impact on the Center’s financial statements.

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

JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset 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.

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.

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. The Center increased its average value of donated food from \$1 per pound to \$1.50 per pound for the year ended June 30, 2021 based on management's evaluation and the average value of various food types per the United States Department of Agriculture (USDA) site. Donated food is recorded in inventory at the lower of cost or fair market value at June 30, 2021. Cost is determined using the First in – First out (FIFO) method.

The Center also receives donated non-food items relating to film memorabilia which is recorded at fair market value at the time of donation.

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

JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 receivables will be collected. The Center has no pledges receivables at June 30, 2021.

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.

Revenue Recognition

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.

Paycheck Protection Program

The Center met the requirements for loan forgiveness, established by the Small Business Administration ("SBA"), for its Paycheck Protection Program (PPP). As a result, the Center recognized the PPP loan forgiveness in the statement of activities and changes in net assets.

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

JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

Grant - Economic Injury Disaster Loan (EIDL)

The Center met the requirements for loan forgiveness, established by the Small Business Administration (“SBA”), for its EIDL grant. As a result, the Center recognized the Economic Injury Disaster Loan forgiveness in the statement of activities and changes in net assets.

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 are recognized in the period in which services are rendered.

Court Referral Fees

Court referral fees 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. 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, 2021. Donated materials and assets are recorded at fair market value at the date of the gift as described in Note 10.

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

JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021, 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.

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.

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

JUNE 30, 2021

**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.

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, 2021:

Money market fund 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, 2021 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Money market fund	\$ 40,905	\$ 40,905
Mutual funds	1,857,833	1,857,833
	<u>\$ 1,898,738</u>	<u>\$ 1,898,738</u>

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

JUNE 30, 2021

NOTE 4 – INVESTMENTS

Investments consist of the following at June 30, 2021:

	Cost	Unrealized Gain	Fair Value
Money market fund	\$ 40,905		\$ 40,905
Mutual funds	1,390,237	\$ 467,596	1,857,833
	<u>\$ 1,431,142</u>	<u>\$ 467,596</u>	<u>\$ 1,898,738</u>

Net investment return consists of the following for the year ended June 30, 2021:

Dividends and interest	\$ 125,554
Unrealized gain	257,598
Realized gain	3,189
	<u>\$ 386,341</u>

NOTE 5 - INVENTORY

Inventory consists of the following at June 30, 2021:

Food	\$ 14,419
Film memorabilia	4,950
	<u>\$ 19,369</u>

NOTE 6 – PROPERTY AND EQUIPMENT, net

Property and equipment consist of the following at June 30, 2021:

Land	\$ 285,715
Buildings and improvements	829,200
Office furniture and equipment	99,206
	1,214,121
Less: Accumulated depreciation	<u>(621,457)</u>
	<u>\$ 592,664</u>

Depreciation expense for the year ended June 30, 2021 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. The loan is payable for thirty years at an interest rate of 2.75%, with a deferral of payments for one year. Installment payments include principal and interest totaling \$641 per month.

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

JUNE 30, 2021

**NOTE 8 - PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS**

On July 16, 2021, the Paycheck Protection Program (PPP) loan totaling \$113,217 was forgiven by the Small Business Administration. A portion of the loan proceeds totaling \$58,797 was used and recognized as revenue for the year ended June 30, 2020. The remaining balance totaling \$54,420 was used and recognized as loan forgiveness for the year ended June 30, 2021.

**NOTE 9 – ECONOMIC INJURY DISASTER LOAN FORGIVENESS**

In May 2020, the Center received a loan grant advance, which is forgivable and does not have to be repaid, in the amount of \$10,000 under the Small Business Administration Economic Injury Disaster Loan (EIDL) program. The loan grant advance was used and was recognized as loan forgiveness for the year ended June 30, 2021.

**NOTE 10 – 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, 2021:

Endowment fund	\$	1,362,170
Future building maintenance and repairs		186,428
Reserve fund		19,697
		1,568,295
	\$	1,568,295

**Net assets with donor restrictions**

Net assets with donor restrictions consist of the following at June 30, 2021:

Specific purpose and passage of time:		
Durfee Scholarship	\$	66,159
Food For Kids		109,365
Visions of Unity		672
Other Programs		10,439
		186,635
Perpetual in nature:		
Hick's Legacy endowment		196,023
Durfee Scholarship		68,261
		264,284
	\$	450,919



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

JUNE 30, 2021

NOTE 10 – NET ASSETS (Continued)

Net assets with donor restrictions (Continued)

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, 2021 are as follows:

Satisfaction of purpose restrictions:	
Durfee Scholarship	\$ 19,000
Food For Kids	239,549
Operation Teddy Bear	70,596
Connect	44,926
Engaging Hearts and Minds	23,500
Visions of Unity	5,553
Other Programs	2,596
	\$ 405,720

NOTE 11 – IN-KIND DONATIONS

The Center received in-kind donations to support program activities and consist of the following for the year ended June 30, 2021:

In-kind goods	\$ 167,776
In-kind rent	29,440
	\$ 197,216

NOTE 12 – LEASE OBLIGATIONS

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 \$127 to \$1,500 per month.

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.

Future minimum operating lease payments for the year ending June 30, 2019 are as follows:

<u>Year Ended June 30,</u>	
2022	\$ 6,012
2023	5,010
	\$ 11,022

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NOTE 12 – LEASE OBLIGATIONS (Continued)

Rental facilities expense for the year ended June 30, 2021 totaled \$43,261 which is included in “Occupancy” in the statement of functional expenses. Equipment rental expense for the year ended June 30, 2021 totaled \$5,389 which is included in “Equipment rental and maintenance” in the statement of functional expenses.

NOTE 13 – 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.

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.

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NOTE 13 – ENDOWMENT FUNDS (Continued)

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, 2021:

	<u>Undesignated</u>	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowments - undesignated	\$ 66,159			\$ 66,159
Endowments designated by the Board of Directors		\$ 1,362,170		1,362,170
Endowments subject to donor restrictions temporary in nature:				
Hicks Legacy			\$ 196,023	196,023
Durfee Scholarship			68,261	68,261
	<u>\$ 66,159</u>	<u>\$ 1,362,170</u>	<u>\$ 264,284</u>	<u>\$ 1,692,613</u>

Changes in endowment net assets consist of the following for the year ended June 30, 2021:

	<u>Undesignated</u>	<u>Board Designated</u>	<u>With Donor Restrictions</u>		<u>Total</u>
			<u>Purpose Restricted</u>	<u>Perpetual in Nature</u>	
Endowment net assets, beginning of year		\$ 1,020,718	\$ 51,600	\$ 255,034	\$ 1,327,352
Contributions	\$ 66,159			9,250	75,409
Withdrawals		(9,250)			(9,250)
Other changes		35,000	(51,600)		(16,600)
Investment return		315,702			315,702
Endowment net assets, end of year	<u>\$ 66,159</u>	<u>\$ 1,362,170</u>	<u>\$ -</u>	<u>\$ 264,284</u>	<u>\$ 1,692,613</u>

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NOTE 14 – 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. Uninsured cash balances totaled \$219,016 at June 30, 2021. 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

Even though California's economy is open wherein there are no county tiers, capacity limits, or physical distancing requirements, COVID-19 is not fully contained. As a result, the California Department of Public Health (CDPH) has released guidance related to the COVID-19 pandemic to reduce the risk of COVID-19 infection. Any changes in the COVID-19 pandemic could be subject to the CDPH reinstating certain public restrictive guidelines. The effect of any changes could have an uncertain impact on the Center's financial position and net activities.

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.

NOTE 15 – 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, 2021, consist of the following:

Cash	\$ 462,075
Investments	1,898,738
Financial assets, at year end	<u>2,360,813</u>
Less: those unavailable for general expenditures within one year due to:	
Perpetual restrictions	(264,284)
Donor-imposed restrictions	(186,635)
Board designations	<u>(1,568,295)</u>
Financial assets unavailable for general expenditures within one year	<u>(2,019,214)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 341,599</u>

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NOTE 15 – LIQUIDITY AND AVAILABILITY (Continued)

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 \$1,568,295 of investments for future expenditures as fully described in Note 10. 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 10, the board of directors could make the designated funds available for general use, if necessary.

NOTE 16 – SUBSEQUENT EVENTS

The Center has evaluated events and transactions for potential recognition or disclosure through October 15, 2021, which represents the date the financial statements were available to be issued.