



Financial Statements
As of and for the Year Ended June 30, 2022

Palos Verdes Estates Foundation

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Palos Verdes Estates Foundation

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Independent Accountant's Review Report

To the Board of Directors
Palos Verdes Estates Foundation
Palos Verdes Estates, California

We have reviewed the accompanying financial statements of Palos Verdes Estates Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of my procedures provide a reasonable basis for my conclusion.

We are required to be independent of Palos Verdes Estates Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Lewis Sharpstone & Co.

Woodland Hills, California
July 20, 2023

Financial Statements

Palos Verdes Estates Foundation
Statement of Financial Position
June 30, 2022

Assets

Cash and cash equivalents	\$	451,862
Prepaid expenses and other assets		5,927
		457,789
Total Assets	\$	457,789

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$	4,105
		4,105
Total Liabilities		4,105

Net Assets

Without donor restrictions		453,684
		453,684
Total Net Assets		453,684
Total Liabilities and Net Assets	\$	457,789

See accompanying notes to financial statements.

Palos Verdes Estates Foundation
Statement of Activities
Year Ended June 30, 2022

		Without Donor Restrictions and Total
Revenue and Support:		
Contributions	\$	269,619
In-kind contributions		2,500
Event income, net of direct expenses of \$52,877		188,697
Investment income		131
<hr/>		
Total Revenue and Support		460,947
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Expenses:		
Program services		314,958
General and administrative		38,980
Fundraising		16,336
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Total Expenses		370,274
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Change in Net Assets		90,673
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Net Assets, beginning of year		363,011
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Net Assets, end of year	\$	453,684

See accompanying notes to financial statements.

Palos Verdes Estates Foundation
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Grants and beautification projects	\$ 312,359	\$ -	\$ -	\$ 312,359
Beneficial interest management fee	-	7,390	-	7,390
Information technology expenses	-	9,994	-	9,994
Insurance	-	1,181	-	1,181
Office expenses	2,599	625	-	3,224
Printing and copying	-	-	13,836	13,836
Professional fees	-	19,790	2,500	22,290
Total Expenses	\$ 314,958	\$ 38,980	\$ 16,336	\$ 370,274

See accompanying notes to financial statements.

Palos Verdes Estates Foundation
Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows from Operating Activities

Change in net assets	\$ 90,673
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Changes in operating assets and liabilities:	
Contributions receivable	16,000
Prepaid expenses and other assets	(4,206)
Beneficial interest	337,878
Accounts payable and accrued expenses	(19,417)
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Net cash flows from operating activities and increase in cash and cash equivalents	420,928
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Cash and Cash Equivalents, beginning of year	30,934
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Cash and Cash Equivalents, end of year	\$ 451,862

See accompanying notes to financial statements.

Palos Verdes Estates Foundation
Notes to Financial Statements
June 30, 2022

1. Organization

Palos Verdes Estates Foundation (the "Foundation") is a California non-profit corporation. The Foundation was incorporated in November 2019. The mission of the Foundation is to strengthen the community of Palos Verdes Estates through public-private partnerships with the City of Palos Verdes Estates, augmenting cultural, recreational, lifestyle and safety programs.

2. Significant Accounting Policies

Basis of Presentation

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.

Net Asset Classification

To ensure observance of certain constraints and restrictions placed on the use of resources, the Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets without Donor Restrictions: Net assets without donor restrictions are available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. No such designations existed at June 30, 2022.

Net Assets with Donor Restrictions: Net assets with donor restrictions consists of assets whose use is limited by donor imposed, time and/or purpose restrictions. The Foundation reports cash or other assets received as revenues with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restriction. No such net assets with donor restrictions existed at June 30, 2022.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and savings accounts.

Beneficial interest

In November 2019 the Foundation entered into an agreement with Community Partners, a nonprofit organization that specializes in acting as a fiscal sponsor for newly formed organizations awaiting their internal revenue Service tax exemption determination letter. The Foundation received its tax determination letter in November 2021 and accordingly, in January 2022 the Foundation terminated their agreement with Community Partners. Donations received prior to January 2022 were primarily made to Community Partners, and also recorded in the accounting records of the Foundation as contributions and an increase in the beneficial interest in Community Partners. In March 2022 Community partners remitted the balance due to the Foundation. Accordingly, the beneficial interest in Community Partners at June 30, 2022 was zero.

Palos Verdes Estates Foundation
Notes to Financial Statements
June 30, 2022

Fair Value Measurements

Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs or other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Revenue Recognition

Contributions and grants, including any unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class of net assets. Conditional promises to give and grants are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions receivable are recorded at the net present value of cash expected to be received. No promises to give existed as of June 30, 2022.

Event income is presented on the statement of financial position net of direct event expenses. Event income is recognized when the event occurs.

Donated Services and Non-cash gifts

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at fair value in the period received.

Concentrations of Business and Credit Risk

The Organization's cash and cash equivalents are maintained at a financial institution. The Organization has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by Federal

Palos Verdes Estates Foundation
Notes to Financial Statements
June 30, 2022

Deposit insurance. Management believes the Foundation's credit risk with respect to this item is not significant.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. All the costs incurred by the Foundation can be specifically identified as either program, management or fundraising expenses.

Income Taxes

In November 2021 the Foundation received the letter from the Internal Revenue Service recognizing the Foundation as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, effective November 2019.

In June 2023 the Foundation realized that the application to have the Foundation be similarly exempt from State taxes under Section 23701(d) of the California Revenue and Taxation Code was never filed. The application was immediately prepared and filed. The Foundation expects the California Franchise Tax Board will determine that the Foundation is exempt from State taxes under Section 23701(d) of the California Revenue and Taxation Code and that there will be no adverse consequences resulting from the Foundation's omission to timely file such application.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Foundation in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Foundation's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States can require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Recent Accounting Pronouncements

On February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet 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 income statement. The new standard is effective for the Foundation in its year ended June 30, 2023. The Foundation is in the process of evaluating the impact of adoption on its financial statements.

Palos Verdes Estates Foundation
Notes to Financial Statements
June 30, 2022

3. Beneficial Interest

The following tables sets forth by level within the fair value hierarchy the Foundation's investment assets at fair value as of June 30, 2022:

Asset Class	Level 1	Level 2	Level 3	Total
Beneficial interest	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -

Changes in the fair value of the beneficial interest for the years ended June 30, 2022 are as follows:

Balance, beginning of year	\$ 337,878
Contributions	122,112
Fees	(7,390)
Distributions	<u>(452,600)</u>
Balance, end of year	\$ <u>-</u>

4. Liquidity and Availability of Resources

The Foundation monitors its financial assets available for expenditures within one year of the balance sheet date on a quarterly basis. As of June 30, 2022, the balance available is as follows:

Cash and cash equivalents	\$ <u>451,862</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>451,862</u>

As part of the Foundation's liquidity management the Foundation prepares semi-annual cash requirement projections which are used to ensure that needed balances are liquid and available for payment of general expenses in the near term. In addition, the Foundation employs an annual budgeting process and strategic planning process to ensure the Foundation will continue to be poised to have funds available to pay general expenses in the long term.

5. Subsequent Events

The Organization has evaluated subsequent events through July 20, 2023, which is the date the financial statements were available to be issued.