

LAGUNA BEACH SENIORS, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Years Ended
December 31, 2021 and 2020

NIGRO
& NIGRO^{PC}

LAGUNA BEACH SENIORS, INC.

For the Fiscal Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Laguna Beach Seniors, Inc.
Laguna Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of Laguna Beach Seniors, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the fiscal 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 audits. We conducted our audits 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 of 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.

Opinion

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

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2020, from which such partial information was derived.

Nigro & Nigro, PC

Murrieta, California

May 20, 2022

LAGUNA BEACH SENIORS, INC.
Statement of Financial Position
December 31, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 426,431	\$ 580,698
Prepaid expenses	85,106	11,747
Total current assets	<u>511,537</u>	<u>592,445</u>
Non-current assets:		
Investments (Note 3)	1,152,379	837,241
Total non-current assets	<u>1,152,379</u>	<u>837,241</u>
Total assets	<u>\$ 1,663,916</u>	<u>\$ 1,429,686</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,748	\$ 34,256
Unearned revenue	39,500	-
Total liabilities	<u>75,248</u>	<u>34,256</u>
Net assets:		
Without donor restrictions:		
Board-designated (Note 3)	1,152,379	837,241
Undesignated	436,289	558,189
Total net assets	<u>1,588,668</u>	<u>1,395,430</u>
Total liabilities and net assets	<u>\$ 1,663,916</u>	<u>\$ 1,429,686</u>

LAGUNA BEACH SENIORS, INC.
Statement of Activities
For the Fiscal Year Ended December 31, 2021

	Without Donor Restrictions
Operating activities:	
Support and other revenue:	
Contributions	\$ 360,315
Contributions – Legacy Ball	123,552
Grants	153,959
Program services – classes, activities and events	60,222
Total support and other revenue	698,048
Program expenses:	
Program services – classes, activities and events	406,106
Total program expenses	406,106
Supporting services:	
Management and general	168,071
Fundraising	23,252
Total expenses	597,429
Change in net assets from operating activities	100,619
Non-operating activities:	
Investment earnings (Note 3)	92,619
Total non-operating activities	92,619
Change in net assets	193,238
Net assets:	
Beginning of year	1,395,430
End of year	\$ 1,588,668

LAGUNA BEACH SENIORS, INC.
Statement of Activities (continued)
For the Fiscal Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>
Operating activities:	
Support and other revenue:	
Contributions	\$ 281,630
Contributions – Legacy Ball	176,441
Grants	297,492
Program services – classes, activities and events	45,488
Total support and other revenue	<u>801,051</u>
Program expenses:	
Program services – classes, activities and events	383,618
Total program expenses	<u>383,618</u>
Supporting services:	
Management and general	164,548
Fundrasing	18,949
Total expenses	<u>567,115</u>
Change in net assets from operating activities	<u>233,936</u>
Non-operating activities:	
Investment earnings (Note 3)	104,117
Total non-operating activities	<u>104,117</u>
Change in net assets	338,053
Net assets:	
Beginning of year	<u>1,057,377</u>
End of year	<u>\$ 1,395,430</u>

LAGUNA BEACH SENIORS, INC.*Statement of Functional Expenses**For the Fiscal Years Ended December 31, 2021 and 2020*

Expenses	Program Services	Management and General	Fundraising	2021 Total
Salaries and benefits:				
Salaries and wages	\$ 275,906	\$ 114,762	\$ 10,500	\$ 401,168
Payroll taxes	21,559	8,967	820	31,346
Employee benefits	2,087	-	-	2,087
Total salaries and benefits	299,552	123,729	11,320	434,601
Other expenses:				
Contracted services	87,918	-	1,000	88,918
Insurance	-	12,463	-	12,463
Marketing	-	8,801	-	8,801
Materials and supplies	18,636	5,377	10,932	34,945
Professional services	-	11,965	-	11,965
Telephone	-	5,736	-	5,736
Total other expenses	106,554	44,342	11,932	162,828
Total expenses	\$ 406,106	\$ 168,071	\$ 23,252	\$ 597,429
Expenses	Program Services	Management and General	Fundraising	2020 Total
Salaries and benefits:				
Salaries and wages	\$ 268,786	\$ 109,587	\$ 10,000	\$ 388,373
Payroll taxes	20,685	8,383	765	29,833
Employee benefits	1,478	-	-	1,478
Total salaries and benefits	290,949	117,970	10,765	419,684
Other expenses:				
Contracted services	76,107	-	2,000	78,107
Insurance	-	10,466	-	10,466
Marketing	-	10,282	-	10,282
Materials and supplies	16,562	11,619	6,184	34,365
Professional services	-	9,903	-	9,903
Telephone	-	4,308	-	4,308
Total other expenses	92,669	46,578	8,184	147,431
Total expenses	\$ 383,618	\$ 164,548	\$ 18,949	\$ 567,115

LAGUNA BEACH SENIORS, INC.*Statement of Cash Flows**For the Fiscal Years Ended December 31, 2021 and 2020*

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 193,238	\$ 338,053
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in investments fair-value	(63,380)	(79,442)
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Prepaid expenses	(73,359)	17,097
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	1,492	8,033
Unearned revenue	39,500	(250)
Total adjustments	<u>(95,747)</u>	<u>(54,562)</u>
Net cash provided by operating activities	<u>97,491</u>	<u>283,491</u>
Cash flows from investing activities:		
Purchases of investments	(271,759)	(13,968)
Proceeds from the sale of investments	20,001	206,136
Net cash provided by (used in) investing activities	<u>(251,758)</u>	<u>192,168</u>
Net increase (decrease) in cash and cash equivalents	<u>(154,267)</u>	<u>475,659</u>
Cash and cash equivalents:		
Beginning of year	580,698	105,039
End of year	<u>\$ 426,431</u>	<u>\$ 580,698</u>

LAGUNA BEACH SENIORS, INC.

Notes to the Financial Statements

For the Fiscal Years Ended December 31, 2021 and 2020

NOTE 1 –NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The stated mission of the Laguna Beach Seniors, Inc. (Organization) is to "provide programs and services that promote independence, wellness, and community." These are provided independently and in collaboration with the City of Laguna Beach and other community nonprofits, and currently include: educational classes, fitness/wellness activities, social clubs, case management, outreach, benefits counseling, medical assessments, nutrition services, legal aid, and various other outreach services to the senior community of the City of Laguna Beach.

B. Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities under this method. This means that revenues are recorded when earned, rather than when received, and expenses are recorded when incurred, not when they are paid. This conforms to generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Presentation

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Net Assets Without Donor Restrictions - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board or directors may designate assets without restrictions for specific operational purposes from time to time.

Net Assets with Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

D. Measure of Operations

The statement of activities reports all changes in net assets, including the changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or non-recurring nature.

E. Contributions and Unconditional Promises to Give

Contributions and unconditional promises to give are recognized as revenue at the date of donation. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

LAGUNA BEACH SENIORS, INC.

Notes to the Financial Statements

For the Fiscal Years Ended December 31, 2021 and 2020

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fund-Raising and Costs of Direct Benefits to Donors

The Organization conducts certain special fund-raising events. The fund-raising costs attributed to those events are recorded as costs of direct benefits to donors and are not specifically attributable to any particular components of expenses, as reported on the accompanying statement of activities.

G. Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combining statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based on the benefits derived. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Contracted services	Direct allocation
Materials and supplies	Direct allocation

H. Cash and Cash Equivalents

For the purpose of reporting cash flows, the Organization considers all highly liquid debt instruments, purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

I. Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Interest and investment income include interest earnings and any gains or losses realized upon the liquidation or sale of investments. Also, the Organization has adopted an investment policy directing the Treasurer to deposit the Organization's funds with certain financial institutions.

J. Concentration of Credit Risk

Financial instruments potentially subjecting the Organization to concentration of credit risk consist of bank demand deposits in excess of Federal Deposit Insurance Corporation ("FDIC") insurance threshold of \$250,000. Cash and cash equivalent balances above \$250,000 are uninsured. The Organization maintains cash balances at one financial institution. There was approximately \$40,255 and \$79,656 of uninsured cash balances as of December 31, 2021 and 2020, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

K. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid expenses.

L. Furniture and Equipment

Furniture and equipment are recorded at cost if purchased or at fair market value at date of donation. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives of the assets. Furniture and equipment is capitalized if the cost or donated acquisition value of an asset is greater than, or equal to \$5,000.

LAGUNA BEACH SENIORS, INC.

Notes to the Financial Statements

For the Fiscal Years Ended December 31, 2021 and 2020

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Income Taxes

As a publicly supported not-for-profit organization, the Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and the corresponding provisions of Section 23701d of the California Revenue and Taxation Code. The Organization is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the Organization's tax-exempt purpose. The Organization is not a private-foundation and qualifies for the charitable deduction under 170(b)(1)(A)(vi) of the Internal Revenue Code.

The Organization has applied the provisions of ASC Subtopic 740-10, Income Taxes–Overall, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on recognition, classification, interest, and penalties, disclosure, and transition. The Management of the Organization believes that no such uncertain tax positions exist as of December 31, 2020 and 2018, respectively.

N. Fair Value Measurements

In accordance with fair value measurements, the Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques noted below:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. *Cost approach* - Amount that would be required to replace the service capacity of an asset (replacement cost). *Income approach* - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

LAGUNA BEACH SENIORS, INC.

Notes to the Financial Statements

For the Fiscal Years Ended December 31, 2021 and 2020

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

1. The carrying values of cash equivalents approximate the fair value of these financial instruments.
2. Certificates-of-deposit are reported at cost plus earned interest, which approximates market prices.
3. Investments are reported at fair value based on quoted market prices.
4. The carrying amount of the current liability obligations approximates fair value because the obligations are recorded at the net present value of future payments.

P. Impairment of Long-Lived Assets

The Organization assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made full recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. Should impairment exist, the impairment loss would be measured based on the excess of the carrying amount of the asset over the asset's fair value. No impairment charges were recognized on long-lived assets for the years ended December 31, 2021 and 2020.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

R. Reclassifications

Certain amounts presented in the statement of net position and the statement of activities in the comparative prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported change in net assets.

NOTE 2 – LIQUIDITY

The Organization's financial assets available within the next fiscal year for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 426,431	\$ 580,698
Prepaid expenses	85,106	11,747
Investments	<u>1,152,379</u>	<u>837,241</u>
Total financial assets for liquidity	<u><u>\$ 1,663,916</u></u>	<u><u>\$ 1,429,686</u></u>

The Organization's financial assets noted above have been reduced by amounts not available for general use because of donor imposed restrictions upon them.

LAGUNA BEACH SENIORS, INC.*Notes to the Financial Statements**For the Fiscal Years Ended December 31, 2021 and 2020*

NOTE 3 - INVESTMENTS

Investments as of December 31st consisted of the following:

Description	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 954,223	\$ 1,152,379	\$ 702,464	\$ 837,241
Total investments	\$ 954,223	\$ 1,152,379	\$ 702,464	\$ 837,241

All of the Organization's investments are measured within Level 1 of the fair value hierarchy.

The Organization's investments are held as a board-designated reserve for future programs and projects.

Investment earnings were comprised of the following as of December 31st:

Description	2021	2020
Interest and dividend earnings	\$ 29,239	\$ 24,675
Unrealized gains/(losses)	63,380	79,442
Total investment earnings	\$ 92,619	\$ 104,117

NOTE 4 - LEASE AGREEMENT WITH CITY OF LAGUNA BEACH FOR SENIOR CENTER

Under a *Joint Development Agreement* with the City of Laguna Beach (City), the Organization contributed \$2,500,000 (less grant funds of \$379,000 obtained by the City or \$2,121,000, net) towards the construction of the Senior Center that is housed within the City's Community Center.

Under the terms of the agreement, when the construction was completed in February 2009, the Organization leased the Senior Center (approximately 7,988 square feet of space) from the City for one-dollar (\$1.00) per year for the next 55 years with an option to extend the lease for another 44 years at the same rate. The lease agreement encompasses building supporting services, common-areas, parking garage, and utilities except for telephone.

NOTE 5 - PUBLIC SUPPORT

Volunteers from the community have donated significant amounts of their time in support of the Organization's programs. No amounts have been reflected in the financial statements for the contributed services since no objective basis is available to measure the value of such services.

LAGUNA BEACH SENIORS, INC.

Notes to the Financial Statements

For the Fiscal Years Ended December 31, 2021 and 2020

NOTE 6 – CONTINGENCIES

Litigation

In the ordinary course of operations, the Organization is subject to claims and litigation from outside parties. After consultation with legal counsel, the Organization believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 7 – SUBSEQUENT EVENTS

Events subsequent to December 31, 2021, have been evaluated through **May 20, 2022**, the date at which the Organization’s audited financial statements were available to be issued.

Economic Conditions

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the Organization’s investment earnings and donor contributions for the remainder of 2022 and beyond. However, the potential impact to the Organization is unknown at this time.