SOUTH BAY POLICE AND FIRE MEMORIAL FOUNDATION

FINANCIAL STATEMENTS AND REPORT OF CERTIFIED PUBLIC ACCOUNTANTS YEARS ENDED June 30, 2022 and 2021

SOUTH BAY POLICE AND FIRE MEMORIAL FOUNDATION

Financial Statements

For the Years Ended June 30, 2022 and 2021

TABLE OF CONTENTS

Page

Independent Accountants' Review Report..... 1

Financial Statements:

Statements of Financial Position..... 2

Statements of Activities..... 3

Statements of Cash Flows..... 4

Statements of Functional Expenses.....5-6

Notes to Financial Statements.....7-12

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
South Bay Police and Fire Memorial Foundation
El Segundo, CA

We have reviewed the accompanying financial statements of South Bay Police and Fire Memorial Foundation (a nonprofit organization) which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years 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 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' 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 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 our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, 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.

Charles McDonough Accountancy Corporation
Torrance, CA
January 26, 2023

SOUTH BAY POLICE AND FIRE MEMORIAL FOUNDATION
Statements of Financial Position
June 30, 2022 and 2021

ASSETS

	2022	2021
Current Assets:		
Cash and Cash Equivalents	$ 86,861	$ 87,319
Prepaid - Deposit Golf Tournament	1,000	1,000
Investments	1,334,745	1,565,551
Total Current Assets	1,422,606	1,653,871
Total Assets	$ 1,422,606	$ 1,653,871

LIABILITIES AND NET ASSETS

Net Assets:		
Without Donor Restrictions	$ 1,422,606	$ 1,653,871
Total Liabilities and Net Assets	$ 1,422,606	$ 1,653,871

SOUTH BAY POLICE AND FIRE MEMORIAL FOUNDATION
Statements of Activities
For the Years ended June 30, 2022 and 2021

	2022	2021
Change in Net Assets without Donor Restrictions		
Support and Revenue:		
Golf Tournament - Fundraising	$ 0	$ 0
Medal of Valor - Fundraising	0	0
Donations	18,958	4,650
Comedy & Magic Club - Fundraising	0	0
Dividend/Interest Income, net of fees	100,662	56,807
Realized Gain (Loss) on Investments	(21,754)	9,632
Unrealized Gain (Loss) on Investments	(258,799)	212,353
Total Support and Revenue without Donor Restrictions	(160,933)	283,442
Functional Expenses:		
Program Services	40,740	13,752
General and Administrative	17,784	15,780
Fundraising	11,808	3,063
Total Functional Expenses	70,332	32,595
Net (Decrease) Increase - Net Assets without Donor Restrictions	(231,265)	250,847
Donor Restricted Net Assets:		
Net Increase in Donor Restricted Net Assets	0	0
Change in Net Assets	(231,265)	250,847
Net Assets, Beginning of Year	1,653,871	1,403,024
Net Assets, End of Year	**$ 1,422,606**	**$ 1,653,871**

See Accompanying Notes and Independent Accountants' Review Report

SOUTH BAY POLICE AND FIRE
MEMORIAL FOUNDATION
Statements of Cash Flows
For the Years ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	$ (231,265)	$ 250,847
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Realized (Gain)/Loss on Investments	21,754	(9,632)
Unrealized (Gain)/Loss on Investments	258,799	(212,353)
Net Cash Provided By (Used In) Operating Activities	49,288	28,862
Cash Flows from Investing Activities:		
Purchase of Investments and Dividends Reinvested	(337,958)	(380,213)
Proceeds from Sale of Investments	288,212	369,729
Net Cash Provided By (Used In) Investing Activities	(49,746)	(10,484)
Net Increase (Decrease) In Cash and Cash Equivalents	(458)	18,378
Cash and Cash Equivalents at Beginning of Year	87,319	68,941
Cash and Cash Equivalents at End of Year	$ 86,861	$ 87,319

SOUTH BAY POLICE AND FIRE MEMORIAL FOUNDATION
Statement of Functional Expenses
For the Year Ended June 30, 2022

Functional Expenses:	**Program**	**G & A**	**Fundraising**	**Total**
Golf Tournament			500	500
Awards - Medal of Valor	28,811			28,811
Benefits	10,000			10,000
Accounting Services		7,973		7,973
Insurance		676		676
Office Expenses			1,664	1,664
Secretarial Services	1,925	7,700	9,625	19,250
Meeting Expenses		1,296		1,296
Dues and Subscriptions		124		124
Website Expense	4	15	19	38
Total Functional Expenses	40,740	17,784	11,808	70,332

See Accompanying Notes and Independent Accountants' Review Report

SOUTH BAY POLICE AND FIRE MEMORIAL FOUNDATION
Statement of Functional Expenses
For the Year Ended June 30, 2021

Functional Expenses:	**Program**	**G & A**	**Fundraising**	**Total**
Awards - Medal of Valor	3,502			3,502
Benefits	10,000			10,000
Accounting Services		13,956		13,956
Insurance		772		772
Office Expenses			1,812	1,812
Secretarial Services	203	810	1,013	2,025
Dues and Subscriptions		51		51
Website Expense	48	191	239	477
Total Functional Expenses	13,752	15,780	3,063	32,595

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

South Bay Police and Fire Memorial Foundation (the Foundation) began operations in California in 1995 as a non-profit organization serving the active and retired employees and reserve officers of the Police and Fire Departments of various cities located in the South Bay Area of Los Angeles County. It seeks to provide financial support to them and their families in the event of death, serious injury, critical illness, or other catastrophic circumstances. The Foundation is supported primarily through fundraising activities and donor contributions.

Basis of Presentation:

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation classifies its net assets and changes in net assets as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed restrictions that may or will be met either by actions of the Foundation pursuant to those stipulations. Net assets with donor restrictions also include net assets that are to be held in perpetuity as directed by donors. The income from these net assets to be held in perpetuity is available to support activities as designated by the donors.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Method of Accounting

The financial statements have been prepared utilizing the accrual basis of accounting.

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.

Basis of Presentation:

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Foundation classifies its net assets and changes in net assets as follows:

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Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law.

Contributions:

The Foundation has adopted FASB ASC 958-605 (formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made)* which generally requires measuring contributions received and promises to give at their fair value and reporting them as an increase in net assets immediately, even if the donor has restricted their use and the restriction will be met in a future reporting period. Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) (2) of the Internal Revenue Code. There was no unrelated business income for 2022. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. The Foundation believes it is no longer subject to income tax examinations for the years prior to 2018.

Statements of Cash Flows

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statements of cash flows exclude permanently restricted cash and cash equivalents.

The Foundation paid $-0- in interest and $-0- in income taxes for the years ended June 30, 2022 and 2021.

Fair Value of Financial Instruments

Accounting standards define 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. Accounting standards have also established a framework for measuring fair value and expand disclosures about fair value measurements. (See Note 3.)

Investments and Market Risk

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Realized gains and losses are computed as the difference between the beginning-of-year fair value, or cost for current year acquisitions, and sales proceeds. Unrealized gains and losses are the current year appreciation and depreciation in investments held at year-end. Unrealized gains and losses are included in the change in net assets in the statements of activities. Investments in marketable securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Donated Services and Materials

A significant portion of the Foundations functions is conducted by unpaid volunteer officers and committees. The value of this contributed time is not reflected in the accompanying financial statement since the volunteers' time does not meet the criteria for recognition under SFAS No. 116, Accounting for Contributions and Contributions Made.

Date of Management Review

Management has evaluated subsequent events through January 26, 2023, the date of which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and mutual funds. The Foundation places its cash and mutual funds with two different banks. The bank and financial institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2022, the Foundation had no uninsured cash balances.

NOTE 3 – INVESTMENTS – FAIR VALUE

Investment and Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market. This level includes bank certificates of deposits maturing after three months and common stocks, corporate bonds or mutual funds based on the closing price reported in the active market where the securities are traded.

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 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. As of June 30, 2022 and 2021 there was 0 Level 2 Investments.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. As of June 30, 2022 and 2021 there was 0 Level 3 Investments.

Investments consist of marketable securities (mutual funds) that are carried at fair value. Fair values are based on quoted prices in active markets as of the measurement date (often referred to as Level 1 inputs) as of June 30, 2022 and 2021.

	Level 1 Quoted Prices in Active Markets for Identical Assets (Level 1) June 30,	
	2022	**2021**
Mutual Funds	$ 502,265	$ 735,085
Equity Exchange Traded Products	287,327	263,745
Corporate Bonds	545,153	566,721
Total Investments	$ 1,334,745	$ 1,565,552

Money market assets of $69,302 and $83,406 are included as Cash and Cash Equivalents on the Statement of Financial Position for the years ended June 30, 2022 and 2021, respectively.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2022 and 2021:

	June 30,	
	2022	**2021**
Dividend/Interest Income, net of fees	$ 100,662	$ 56,807
Unrealized Gain (Loss) on Investments	(258,799)	212,353
Realized Gain (Loss) on Investments	(21,754)	9,632
	$ (179,891)	$ 278,792

NOTE 4 – INFORMATION REGARDING LIQUIDITY AND FUNDS AVAILABLE

The Foundation strives to maintain liquid financial assets sufficient to cover approximately twelve months of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other investments.

The following table reflects the financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the combined statements of financial position date.

	2022	2021
Financial Assets		
Cash and Equivalents	$ 86,861	$ 87,319
Total Financial Assets	$ 86,861	$ 87,319
Total Financial Assets available to meet cash needs for general expenditures within one year	$ 86,861	$ 87,319

NOTE 5 – SUBSEQUENT EVENTS

For the year ended June 30, 2022, the Foundation has evaluated subsequent events for potential recognition and disclosure through January 26, 2023 the date the financial statements were available to be issued.

In 2021 and 2022, domestic and international economies face uncertainty related to the impact of the COVID-19 disease. The Foundation may be adversely affected through interruptions in receiving donations, sponsoring fundraisers, and a decrease in other revenue. Management is currently evaluating the impact it will have on future operations.