

**C5 Youth Foundation of
Southern California, Inc.**

Financial Statements

December 31, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
C5 Youth Foundation of Southern California, Inc.
Los Angeles, California

Opinion

We have audited the accompanying financial statements of C5 Youth Foundation of Southern California, Inc. (a California corporation) (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of C5 Youth Foundation of Southern California, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of C5 Youth Foundation of Southern California, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about C5 Youth Foundation of Southern California, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of C5 Youth Foundation of Southern California, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about C5 Youth Foundation of Southern California, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Armanino^{LLP}
Woodland Hills, California

July 19, 2022

C5 Youth Foundation of Southern California, Inc.
 Statements of Financial Position
 December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,374,519	\$ 969,803
Promises to give, net	374,944	363,407
Prepaid expenses and other current assets	64,724	15,784
Total current assets	1,814,187	1,348,994
Property and equipment, net	8,370	6,649
Non-current promises to give, net	596,025	184,364
Endowment investments	5,801,685	5,297,680
Total assets	\$ 8,220,267	\$ 6,837,687
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 52,422	\$ 60,410
Refundable advance - Paycheck Protection Program	124,514	-
Total liabilities	176,936	60,410
Net assets		
Without donor restrictions		
Board designated	157,806	156,874
Undesignated	984,341	604,563
Total without donor restrictions	1,142,147	761,437
With donor restrictions		
Purpose and time restricted	1,098,359	718,160
Donor restricted endowment	5,801,685	5,297,680
Net assets with donor restrictions	6,901,184	6,015,840
Total net assets	8,043,331	6,777,277
Total liabilities and net assets	\$ 8,220,267	\$ 6,837,687

The accompanying notes are an integral part of these financial statements.

C5 Youth Foundation of Southern California, Inc.
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributions and grants	\$ 414,748	\$ 1,113,244	\$ 1,527,992
Special event revenue, net of direct benefits to donors of \$613	323,220	-	323,220
In-kind contributions	57,850	-	57,850
Net investment return	-	754,005	754,005
Interest income	509	-	509
Other income	5,850	-	5,850
Net assets released from restriction	<u>981,905</u>	<u>(981,905)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,784,082</u>	<u>885,344</u>	<u>2,669,426</u>
 Expenses			
Program services	1,123,211	-	1,123,211
Management and general	130,800	-	130,800
Fundraising	<u>149,361</u>	<u>-</u>	<u>149,361</u>
Total expenses	<u>1,403,372</u>	<u>-</u>	<u>1,403,372</u>
 Change in net assets	380,710	885,344	1,266,054
 Net assets, beginning of year	<u>761,437</u>	<u>6,015,840</u>	<u>6,777,277</u>
 Net assets, end of year	<u>\$ 1,142,147</u>	<u>\$ 6,901,184</u>	<u>\$ 8,043,331</u>

The accompanying notes are an integral part of these financial statements.

C5 Youth Foundation of Southern California, Inc.
Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Contributions and grants	\$ 221,980	\$ 818,826	\$ 1,040,806
Forgiveness of not payable - Paycheck Protection Program	144,000	-	144,000
Special event revenue, net of direct benefits to donors of \$499	283,341	-	283,341
In-kind contributions	78,797	-	78,797
Net investment return	-	169,132	169,132
Interest income	883	-	883
Net assets released from restriction	<u>999,455</u>	<u>(999,455)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,728,456</u>	<u>(11,497)</u>	<u>1,716,959</u>
Expenses			
Program services	1,022,799	-	1,022,799
Management and general	120,834	-	120,834
Fundraising	<u>115,238</u>	<u>-</u>	<u>115,238</u>
Total expenses	<u>1,258,871</u>	<u>-</u>	<u>1,258,871</u>
Change in net assets	469,585	(11,497)	458,088
Net assets, beginning of year	<u>291,852</u>	<u>6,027,337</u>	<u>6,319,189</u>
Net assets, end of year	<u><u>\$ 761,437</u></u>	<u><u>\$ 6,015,840</u></u>	<u><u>\$ 6,777,277</u></u>

The accompanying notes are an integral part of these financial statements.

C5 Youth Foundation of Southern California, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries, taxes, and benefits	\$ 719,636	\$ 24,267	\$ 115,852	\$ 859,755
Scholarships	233,975	-	-	233,975
Office	69,390	17,758	9,508	96,656
Professional services	-	75,137	350	75,487
In-kind expense	43,988	-	13,862	57,850
Summer programs	25,940	-	-	25,940
Other	4,990	2,838	9,100	16,928
Field trips	14,189	-	-	14,189
Travel	10,953	-	689	11,642
Depreciation	-	5,619	-	5,619
Insurance	150	5,181	-	5,331
Cost of direct benefits to donors	-	-	613	613
Total	1,123,211	130,800	149,974	1,403,985
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(613)	(613)
Total less expenses included with revenues on the statement of activities	\$ 1,123,211	\$ 130,800	\$ 149,361	\$ 1,403,372

The accompanying notes are an integral part of these financial statements.

C5 Youth Foundation of Southern California, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, taxes, and benefits	\$ 622,460	\$ 21,985	\$ 92,470	\$ 736,915
Honorariums and scholarships	205,134	-	-	205,134
Office	58,662	11,214	9,110	78,986
Professional services	-	75,908	13,500	89,408
In-kind expense	75,000	-	-	75,000
Summer programs	5,128	-	-	5,128
Other	5,729	2,683	-	8,412
Field trips	6,681	-	-	6,681
Travel	31,265	-	158	31,423
Depreciation	-	5,086	-	5,086
Insurance	8,943	3,958	-	12,901
In-kind expenses, other	3,797	-	-	3,797
Cost of direct benefits to donors	-	-	499	499
Total	<u>1,022,799</u>	<u>120,834</u>	<u>115,737</u>	<u>1,259,370</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(499)	(499)
Total less expenses included with revenues on the statement of activities	<u>\$ 1,022,799</u>	<u>\$ 120,834</u>	<u>\$ 115,238</u>	<u>\$ 1,258,871</u>

The accompanying notes are an integral part of these financial statements.

C5 Youth Foundation of Southern California, Inc.
 Statements of Cash Flows
 Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 1,266,054	\$ 458,088
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,619	5,086
(Recovery) loss on promises to give	(5,850)	4,150
Amortization of discount on promises to give	11,661	19,045
Net investment return	(591,734)	(169,132)
Changes in operating assets and liabilities		
Promises to give	(429,009)	54,819
Prepaid expenses and other current assets	(48,940)	22,114
Accounts payable and accrued expenses	(7,988)	(35,698)
Refundable advance - Paycheck Protection Program	124,514	-
Net cash provided by operating activities	324,327	358,472
Cash flows from investing activities		
Purchases of property and equipment	(7,340)	-
Purchases of investments	(1,875,121)	(561,185)
Proceeds from sales of investments	1,962,850	561,220
Net cash provided by investing activities	80,389	35
Net increase in cash and cash equivalents	404,716	358,507
Cash and cash equivalents, beginning of year	969,803	611,296
Cash and cash equivalents, end of year	\$ 1,374,519	\$ 969,803

The accompanying notes are an integral part of these financial statements.

C5 Youth Foundation of Southern California, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

1. ORGANIZATION

C5 Youth Foundation of Southern California, Inc. ("C5LA"), a California nonprofit corporation, located in Los Angeles, California is a five-year youth leadership development program that targets high-potential, under-resourced eighth graders to graduate high school, attend college, and become productive, happy, and successful leaders in their communities. The program includes a summer camp experience that sets goals and teaches the skills needed to be successful through each year of the program. C5LA encourages teens to be Character-driven, Community-focused, Challenge-ready, College-bound, and Committed to a better future. C5LA provides college scholarships for the youth leadership.

The mission of C5LA is to change the odds for high-potential teens from risk-filled environments, inspiring them to pursue personal success, and preparing them for leadership roles in college, work, and their communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and reported on the basis of net assets with or without donor restrictions, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Revenues, gains, expenses, 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 stipulations and that may be expendable for any purpose in performing the primary objectives of C5LA.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of C5LA and/or the passage of time. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As the restrictions are satisfied, that is, when a stipulated time restriction ends, or purpose restriction is satisfied, these net assets are reported in the accompanying financial statements as net assets released from restrictions.

Cash and cash equivalents

Cash and cash equivalents include all cash and highly liquid financial instruments with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes. Cash and highly liquid instruments restricted for endowments that are perpetual in nature are excluded from this definition.

C5 Youth Foundation of Southern California, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

C5LA accounts for investments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 958-320, *Not-for-Profit Entities: Investments - Debt and Equity Securities* ("ASC 958-320"). ASC 958-320 requires that investments in debt and equity securities with readily determinable fair values be reported at fair market value in the statements of financial position.

Sales and purchases of securities are recorded on the trade date, which results in receivables and payables on trades that have not yet settled at the financial statement date. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the exdividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the statement of activities and represent the difference between the cost and current market quotations of investments held at the end of the fiscal year. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Investments 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 financial statements.

Investments are made according to the investment policies, guidelines, and objectives adopted by C5LA's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. Market values of such investments are routinely reviewed by the investment committee of the Board of Directors.

Fair value measurements

C5LA's statements of financial position include the following financial instruments: cash and cash equivalents, promises to give, and accounts payable and accrued expenses. C5LA considers the carrying amounts of their assets and liabilities noted herein to approximate their fair value because of the relatively short period of time between origination of the instrument and its expected realization.

C5LA has adopted Accounting Standards Codification No. 820-10, *Fair Value Measurements and Disclosures* ("ASC 820-10") which 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).

C5 Youth Foundation of Southern California, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The three levels of inputs that may be used to measure fair value under ASC 820-10 are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs based on quoted prices in nonactive markets or in active markets for similar assets and liabilities. Inputs other than quoted prices that are observable or inputs that are not directly observable, but are corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the measurements of the assets or liabilities. C5LA did not have any investments that are categorized as Level 3 as of December 31, 2021 and 2020.

The asset's 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair values of fixed income, equity securities and exchange traded products are based on quoted market prices.

Promises to give

C5LA records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. C5LA determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

C5LA recorded an allowance for uncollectible accounts of \$105,850 as of December 31, 2020. No allowance for uncollectible accounts was deemed necessary as of December 31, 2021.

C5 Youth Foundation of Southern California, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment, net

Property and equipment, net are stated at cost, or if acquired by gift, at the estimated fair value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 10 years for camp leasehold improvements, and between 3 and 10 years for camp equipment. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred.

Contributions

C5LA recognizes the full amount of unconditional contributions and grants received in the period that they were made as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

C5LA reports gifts of cash and other assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, or a stipulated time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

In-kind contributions

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by C5LA. Contributed goods are recorded at fair value at the date of donation.

Functional allocation of expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as estimated square footage and estimated time and effort.

Income taxes

C5LA is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding California Revenue and Taxation statute; however, unrelated business activities would be subject to income tax. No such activities have been conducted by C5LA, and accordingly, no provision for income taxes is included in the accompanying financial statements.

C5 Youth Foundation of Southern California, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

U.S. GAAP requires management to evaluate tax positions taken by C5LA and recognize a tax liability (or asset) if C5LA 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 C5LA, and has concluded that as of December 31, 2021 and 2020, 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. C5LA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent events

C5LA has evaluated subsequent events through July 19, 2022, the date the financial statements were available to be issued. Based upon this evaluation, no other subsequent events have been identified, except as disclosed in Note 14.

C5 Youth Foundation of Southern California, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

3. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments				
Money market funds (at cost)	\$ -	\$ -	\$ -	\$ 32,305
Fixed income	-	503,040	-	503,040
Common stock	3,153,462	-	-	3,153,462
Real estate investment trusts	196,008	-	-	196,008
Mutual funds	1,505,700	-	-	1,505,700
Exchange traded products	<u>411,170</u>	<u>-</u>	<u>-</u>	<u>411,170</u>
	<u>\$ 5,266,340</u>	<u>\$ 503,040</u>	<u>\$ -</u>	<u>\$ 5,801,685</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment investments				
Money market funds (at cost)	\$ -	\$ -	\$ -	\$ 37,526
Fixed income	-	817,231	-	817,231
Common stock	3,042,953	-	-	3,042,953
Real estate investment trusts	262,442	-	-	262,442
Mutual funds	1,089,611	-	-	1,089,611
Exchange traded products	<u>47,917</u>	<u>-</u>	<u>-</u>	<u>47,917</u>
	<u>\$ 4,442,923</u>	<u>\$ 817,231</u>	<u>\$ -</u>	<u>\$ 5,297,680</u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements - Camp buildings	\$ -	\$ 300,000
Office equipment	<u>23,395</u>	<u>32,299</u>
	23,395	332,299
Accumulated depreciation	<u>(15,025)</u>	<u>(325,650)</u>
	<u>\$ 8,370</u>	<u>\$ 6,649</u>

C5 Youth Foundation of Southern California, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

5. PROMISES TO GIVE, NET

Promises to give, net consisted of the following:

	2021	2020
Due in less than one year	\$ 374,944	\$ 469,257
Due in one to four years	600,000	200,000
	974,944	669,257
Allowance of doubtful accounts	-	(105,850)
Discount to net present value	(3,975)	(15,636)
Less: current portion of promises to give, net	(374,944)	(363,407)
	\$ 596,025	\$ 184,364

C5LA discounted promises to give beyond a one-year horizon at the rate of 4%.

6. EMPLOYEE RETIREMENT PLAN

Through its human resources provider, TriNet, C5LA sponsors a defined contribution 401(k) retirement plan for eligible employees. Eligibility begins after completion of 3 months of service. Under the plan, employees may make tax-deferred contributions up to statutory limits. C5LA matches 100% of the first 6% of deferred salary with immediate vesting for qualified employees. For the years ended December 31, 2021 and 2020, employer contributions to the plan amounted to \$25,727 and \$22,845, respectively.

7. COMMITMENTS

On November 1, 2016, C5LA entered into a lease agreement for office space in Los Angeles, California and on November 19, 2019, exercised the option to renew through October 31, 2022.

Minimum lease payments for the year ending December 31, 2022 amount to \$26,500.

For the years ended December 31, 2021 and 2020, rent expense was \$33,045 and \$28,451, respectively.

C5 Youth Foundation of Southern California, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2021	2020
Subject to passage of time		
For periods after December 31, 2021 and 2020	\$ 970,969	\$ 547,771
Subject to expenditure for specific purpose		
Scholarships	127,390	165,389
College Applications	1,140	-
Pride	-	5,000
	128,530	170,389
Subject to spending policy and appropriation		
Corpus endowment fund	5,000,028	5,000,028
Unappropriated endowment earnings	801,657	297,652
	5,801,685	5,297,680
	\$ 6,901,184	\$ 6,015,840

Donor restricted net assets released from restriction during the years ended December 31, 2021 and 2020 consist of the following:

	2021	2020
Expiration of time restrictions	\$ 748,441	\$ 811,978
Scholarships	233,464	187,477
	\$ 981,905	\$ 999,455

9. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2020, C5LA received an in-kind contribution from a board member who received no economic benefit in return by donating the use of a camp facility. During 2021, the camp facility was sold to a new owner who terminated the agreement with C5LA.

The estimated fair market value of the in-kind donated use of camp facility was \$75,000 during the year ended December 31, 2020, and was recognized as an in-kind contribution.

During the year ended December 31, 2021, C5LA received \$43,988 of supplies and equipment, and \$13,862 of event in-kind donated contributions.

C5 Youth Foundation of Southern California, Inc.
Notes to Financial Statements
December 31, 2021 and 2020

10. ENDOWMENT

C5LA's endowment consists of funds established by a donor to provide student scholarships. The grant agreement allows C5LA to annually distribute up to 5% of the rolling three year average fair market value of the fund for the purpose of granting scholarships to students affiliated with C5LA. Fund distributions may not cause the fair market value of the fund to be less than the original gift amount. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant law

C5LA's Board of Directors has interpreted the California enacted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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, C5LA classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment funds not retained in perpetuity are subject to appropriation for expenditure by C5LA in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, C5LA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of C5LA
- (7) The investment policies of C5LA

Return objectives and risk parameters

C5LA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that C5LA must hold in perpetuity. Under this policy, as approved by the Board of Directors, C5LA diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category. Actual returns in any given year may vary from their respective benchmarks.

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10. ENDOWMENT (continued)

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, C5LA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). C5LA targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policy

C5LA's policy that governs the rate at which funds are transferred from the Endowment Fund to the operating budget is based on the restrictions in the respective grant agreements. Annual allocations to the operating fund are limited to 5% of the fair market value of the fund on January 1st of each calendar year. In no event shall any distribution from the fund cause the fair market value of the fund to be less than the original amount of the gift.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires C5LA to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets without donor restrictions unless the income from such endowment funds is restricted as to use in which case such amounts are reflected in net assets with donor restrictions. There were no deficiencies as of December 31, 2021 or 2020.

Endowment composition

For the years ended December 31, 2021 and 2020, endowment net assets with donor restrictions composition by type of fund is as follows:

	2021	2020
Original donor-restricted gift amount, amount required to be maintained in perpetuity by donor	\$ 5,000,028	\$ 5,000,028
Accumulated investment gains	801,657	297,652
Donor-restricted endowment funds	\$ 5,801,685	\$ 5,297,680

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10. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets with donor restrictions for the years ended December 31, 2021 and 2020 are as follows:

Balance, December 31, 2019	\$	5,128,583
Net investment return		<u>169,097</u>
Balance, December 31, 2020		<u>5,297,680</u>
Net investment return		754,005
Appropriation of endowment assets		<u>(250,000)</u>
Balance, December 31, 2021	\$	<u><u>5,801,685</u></u>

11. REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM

In April 2020, C5LA received a loan in the amount of \$144,000 under the Payroll Protection Program (the "PPP"), established pursuant to the enacted Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") and administered by the U.S. Small Business Administration (the "SBA"). C5LA recorded the loan amount as a refundable advance. The PPP loan had a 2-year term and bore interest at an annual interest rate of 1%. The PPP loan's maturity date was April 15, 2022. In December 2020, the Organization received full forgiveness of the PPP loan, which was recognized as loan forgiveness income in the statement of activities for the year ended December 31, 2020.

In February 2021, C5LA received a second PPP loan ("PPP2 Loan") in the amount of \$124,514. The unsecured loan is evidenced by a promissory note of the Organization. C5LA is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. C5LA recorded the loan amount as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. The PPP2 Loan has a 5-year term and bears interest at an annual interest rate of 1%. The PPP2 Loan's maturity date is February 16, 2026.

In March 2022, C5LA was notified that it received full forgiveness on the PPP2 Loan (See Note 14).

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12. CONCENTRATIONS OF RISK AND MAJOR DONORS

Cash, cash equivalents and investments

C5LA maintains its cash and cash equivalents and investments with various major commercial banks and financial institutions. From time to time, balances in C5LA's accounts exceed federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions. C5LA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash and cash equivalents. Investments are made by C5LA and performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of C5LA.

Related party transactions

During the years ended December 31, 2021 and 2020, C5LA's Board Members contributed \$153,025 and \$179,711 or 8% and 12%, respectively, of total contributions.

As of December 31, 2021 and 2020, promises to give from Board Members totaled \$129,644 and \$76,166, respectively.

Promises to give

During the year ended December 31, 2021, one donor accounted for approximately 83% of promises to give. As of December 31, 2020, two donors accounted for approximately 96% of promises to give.

Contributions and grants

During 2021, the Organization received contributions from one donor totaling \$611,661, which constitutes approximately 32% of total contribution and grants revenue.

During 2020, the Organization received contributions from two donors totaling \$414,045, which constitutes approximately 27% of total contribution and grants revenue.

13. LIQUIDITY AND FUNDS AVAILABLE

The following reflects C5LA's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

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13. LIQUIDITY AND FUNDS AVAILABLE (continued)

C5LA considers contributions restricted for programs which are ongoing, major, and central to its annual operations, as well as promises to give due in one year, to be available to meet cash needs for general expenditures. C5LA has a liquidity policy to structure financial assets to be available as general expenditures, liabilities, and other obligations come due. C5LA has cash and cash equivalents available to meet liquidity needs. Promises to give that are considered current will be collected from donors within one year. In the event the need arises to utilize the board-designated funds for liquidity purposes, the board-designated operating reserve could be drawn upon through board resolution.

The following is a quantitative disclosure which describes assets that are available within one year of December 31, 2021 and 2020 to fund general expenditures and other obligations when they become due:

	2021	2020
Cash and cash equivalents	\$ 1,374,519	\$ 969,803
Promises to give due in less than one year	374,944	363,407
Less: board-designated operating reserves	(157,806)	(156,874)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,591,657	\$ 1,176,336

14. SUBSEQUENT EVENTS

In March 2022, C5LA received notification from the SBA that the loan qualified for forgiveness. The loan forgiveness amount of \$124,514 will be recognized as loan forgiveness income during 2022.