

THE EBELL OF LOS ANGELES AND AFFILIATES (NONPROFIT ORGANIZATION)

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022

(With Summary Comparative Information for 2021)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Ebell of Los Angeles and Affiliates

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Ebell of Los Angeles and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Ebell of Los Angeles and Affiliates (The Ebell) as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Ebell and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 The Ebell'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ebell'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2023, on our consideration of The Ebell of Los Angeles and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the The Ebell of Los Angeles and Affiliates' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited The Ebell of Los Angeles and Affiliates' June 30, 2021 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated February 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Long Beach, California
March 8, 2023

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

ASSETS

	June 30,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 9,083,375	\$ 3,501,378
Accounts receivable	75,591	-
Investments	10,173,232	11,645,916
Inventories	36,754	22,439
Prepaid expenses and other assets	74,035	118,021
Property and equipment, net	2,128,657	2,247,231
TOTAL ASSETS	\$ 21,571,644	\$ 17,534,985

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 583,736	\$ 216,602
Deferred income	2,808,778	2,845,161
Paycheck Protection Program loan	-	476,952
Economic Injury Disaster Loan	500,000	150,000
	3,892,514	3,688,715

CONTINGENCIES (Note 7)

NET ASSETS

Without donor restrictions		
Undesignated	8,868,304	3,361,237
Board designated	18,400	18,400
Total without donor restrictions	8,886,704	3,379,637
With donor restrictions	8,792,426	10,466,633
	17,679,130	13,846,270

TOTAL LIABILITIES AND NET ASSETS	\$ 21,571,644	\$ 17,534,985
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See Independent Auditors' Report

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

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
REVENUE AND SUPPORT				
Income from club activities	\$ 102,643	\$ -	\$ 102,643	\$ 25,615
Membership dues	105,601	-	105,601	116,558
Contributions	37,101	102,819	139,920	128,347
Grant income	3,948,733	-	3,948,733	-
Investment returns, net	(233,344)	(1,166,292)	(1,399,636)	2,269,482
Auxiliary services:				
Catering services, net	779,525	-	779,525	(562,446)
Facility rental, net	1,566,679	-	1,566,679	890,521
PPP loan forgiveness	476,952	-	476,952	476,952
Net assets released from restrictions	610,734	(610,734)	-	-
Total Revenue and Support	7,394,624	(1,674,207)	5,720,417	3,345,029
EXPENSES				
Program services	1,653,868	-	1,653,868	1,450,501
Support services	233,689	-	233,689	239,669
Total Expenses	1,887,557	-	1,887,557	1,690,170
CHANGE IN NET ASSETS	5,507,067	(1,674,207)	3,832,860	1,654,859
NET ASSETS AT BEGINNING OF YEAR				
	3,379,637	10,466,633	13,846,270	12,191,411
NET ASSETS AT END OF YEAR	\$ 8,886,704	\$ 8,792,426	\$ 17,679,130	\$ 13,846,270

See Independent Auditors' Report

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

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>	
			<u>2022</u>	<u>2021</u>
Salaries	\$ 431,131	\$ 76,082	\$ 507,213	\$ 316,106
Employee benefits	55,536	9,799	65,335	65,275
	<u>486,667</u>	<u>85,881</u>	<u>572,548</u>	<u>381,381</u>
Grants	460,025	-	460,025	485,489
Club activities	115,310	-	115,310	30,510
Repairs and maintenance	52,257	9,222	61,479	34,105
Depreciation	123,916	21,868	145,784	224,995
Utilities	65,986	20,749	86,735	121,898
Insurance	135,202	11,644	146,846	143,576
Professional fees	47,313	23,859	71,172	60,389
Miscellaneous expenses	15,544	21,400	36,944	16,683
Office supplies	55,481	9,790	65,271	44,086
Property taxes	38,124	6,728	44,852	46,055
Equipment leases	16,535	2,918	19,453	21,581
Telephone	16,895	2,982	19,877	24,082
Security	4,981	879	5,860	4,163
Office equipment	12,204	2,153	14,357	5,829
Licenses	5,215	995	6,210	6,244
Postage	1,406	248	1,654	542
Interest expense	807	142	949	-
Income tax expense	-	12,231	12,231	38,562
	<u>-</u>	<u>12,231</u>	<u>12,231</u>	<u>38,562</u>
 Total Expenses	 <u>\$ 1,653,868</u>	 <u>\$ 233,689</u>	 <u>\$ 1,887,557</u>	 <u>\$ 1,690,170</u>

See Independent Auditors' Report

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

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	For the Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,832,860	\$ 1,654,859
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	247,092	346,147
Net realized and unrealized (gain) loss on investments	1,554,246	(2,170,365)
PPP loan forgiveness	(476,952)	(476,952)
Changes in operating assets and liabilities:		
Accounts receivable	(75,591)	-
Inventories	(14,315)	6,533
Prepaid expenses and other assets	43,986	(12)
Accounts payable and accrued expenses	367,134	82,036
Deferred income	(36,383)	584,929
Net Cash Provided By Operating Activities	5,442,077	27,175
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(128,518)	-
Proceeds from sale of investments	1,679,765	1,700,034
Purchase of investments	(1,761,327)	(1,042,514)
Net Cash Provided By (Used In) Investing Activities	(210,080)	657,520
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	476,952
Proceeds from Economic Injury Disaster Loan	350,000	-
Net Cash Provided By Financing Activities	350,000	476,952
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,581,997	1,161,647
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,501,378	2,339,731
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,083,375	\$ 3,501,378
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ 949	\$ -
Income taxes	\$ 31,900	\$ 31,800

See Independent Auditors' Report

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

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – Organization

The Ebell of Los Angeles (the Club), is an educational and philanthropic organization founded by women, for women in 1894. The Club’s mission is to participate in and encourage the educational, cultural and social growth of the diverse Los Angeles community; and to conserve and protect the historic clubhouse, collections, and the Wilshire Ebell Theatre.

The Club offers online and onsite cultural and educational programs and activities which reflect the diversity of the community and the Club membership itself. These programs, including lunch speakers, evening dinners and screenings, workshops, exhibitions, play readings, musical performances, holiday events, fieldtrips and social service projects, offer opportunities for continual learning and personal growth.

The Club also rents out its facility and catering staff for events, and serves as a location setting for film and television shoots. The net revenue from these ancillary operations helps further the mission of the Club and has enabled it to stay in existence.

The Ebell is listed among the U.S. National Register of Historic Places – May 6, 1994; is designated Los Angeles Historic Monument #250 – 1982 and is designated American Treasure by the National Trust for Historic Preservation - 1999.

Ebell members administer three endowment funds:

The Ebell of Los Angeles Rest Cottage Association was formed to benefit women in need and offers annual grants to nonprofits that help women and their children.

The Ebell of Los Angeles Scholarship Endowment Fund and the Mr. and Mrs. Charles N. Flint Scholarship Endowment Fund both grant annual college scholarships to women and men.

Ebell Friends is a nonprofit public charity whose purpose is to provide support for the preservation, restoration, and maintenance of the historic Ebell of Los Angeles’ clubhouse, grounds, collections, and the Wilshire Ebell Theatre. Effective April 2020, Ebell Friends changed their by-laws requiring that at least 51% of their board members be board members from the Club. With the change and effective control, Ebell Friends was consolidated into the Club as of April 2020.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. The following significant accounting policies are described in this footnote to enhance the usefulness of the financial statements to the reader.

Principles of Consolidation

The consolidated financial statements include the accounts of The Ebell of Los Angeles, The Ebell of Los Angeles Rest Cottage Association, The Ebell of Los Angeles Scholarship Endowment Fund, The Mr. and Mrs. Charles N. Flint Scholarship Endowment Fund, and Ebell Friends (collectively, The Ebell). All significant intercompany balances and transactions have been eliminated upon consolidation.

Prior-Period Information

The consolidated financial statements include certain prior-year summarized financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such financial information should be read in conjunction with The Ebell's consolidated financial statements for the year ended June 30, 2021, from which the summarized financial information was derived.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of The Ebell are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Without Donor Restrictions –

- Undesignated - Net assets that are not subject to donor-imposed restrictions that may be expendable for purposes in satisfying the objectives and mission of The Ebell.
- Board designated – Net assets that are not subject to donor-imposed restrictions but have been designated by The Ebell’s Board of Directors (the Board) for a specific purpose. The purpose and designation can be changed based the Board’s decision.

With Donor Restrictions - Net assets subject to donor-imposed restrictions that are temporary in nature and that will be met either by actions of The Ebell or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Other donor stipulations are perpetual in nature, where the donor stipulates that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenue and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less at the time of purchase.

The Ebell maintains its cash and cash equivalents in bank deposit accounts and other investment accounts which, at times, may exceed federally insured limits. The Ebell has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Receivables are primarily noninterest-bearing amounts due from various events that are held within the fiscal year. Management believes that the remaining outstanding receivables as of June 30, 2022 are collectible in full and, accordingly, no allowance for uncollectible receivables has been provided.

Investments

Investments in marketable securities with readily determinable market values and all investments in debt securities are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income are reflected in the consolidated statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is temporarily or permanently restricted by donor stipulations or by law.

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 could materially affect the amounts reported in the consolidated statement of financial position.

Inventories

Inventories consists of food and beverages. Inventories are valued at the lower of cost or market if purchased and at fair value at the date of donation, if donated. The Ebell utilizes the first-in, first-out method of inventory valuation.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition, if purchased, or at estimated fair value at the date of donation, if donated. Depreciation is computed using the straight-line and accelerated methods over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Buildings and improvements	10 - 39 Years
Furniture and fixtures	5 - 7 Years
Equipment	5 - 7 Years
Website	3 Years

Expenditures for repairs and maintenance are charged to operations as incurred, while renewals and betterments are capitalized.

Long-Lived Assets

The Ebell evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated value. No such impairment losses have been recognized during the year ended June 30, 2022.

Deferred Income

Advances received by The Ebell for events occurring after the consolidated statement of financial position date are accounted for as deferred income.

Contributions

Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenue when the pledge or contribution is received. The Ebell reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue from catering, rental, and other contract services is recognized when the services are rendered.

During the year ended June 30, 2022, The Ebell rented out part of the facility for special events, such as studio filmings, weddings, or parties. If requested, The Ebell may also provide catering services. The activities for these auxiliary services during the year are as follows:

	<u>Catering Services</u>	<u>Facility Rental</u>
Direct billings	\$ 3,824,840	\$ 2,418,823
Personnel costs	(1,402,459)	(605,650)
Direct expense	(1,376,895)	(90,803)
Overhead costs	<u>(265,961)</u>	<u>(155,691)</u>
Net income	<u>\$ 779,525</u>	<u>\$ 1,566,679</u>

Contributed Goods, Services, and Facilities

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time to The Ebell, including members of the Board. However, the services that these individuals rendered do not meet the above criteria and, as such, are not recognized as revenue.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Grants Income

Revenue from grants are generally restricted upon certain performance requirements. Amounts received are recognized as revenue as the Ebell performs the individual performance obligations. During the year ended June 30, 2022, the Club received a Shuttered Venue Operators grant in the amount of \$3,948,733 from the Small Business Administration (SBA). The funds are applied to eligible expenditures incurred during the fiscal year.

Income Taxes

The Ebell of Los Angeles, The Ebell of Los Angeles Rest Cottage Association, The Ebell of Los Angeles Scholarship Endowment Fund, the Mr. and Mrs. Charles N. Flint Scholarship Endowment Fund, and Ebell Friends are exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Effective January 1, 2020, a flat 1.39% excise tax will be applied to net investment income and eliminating the rate reduction criteria.

The Ebell is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California purposes is four years.

Functional Allocation of Expenses

The costs of providing The Ebell's programs and other activities have been summarized by function in the consolidated statement of activities and changes in net assets and the consolidated statement of functional expenses. Expenses that can be identified with a specific program or supporting services are charged directly to the related program or supporting services. Significant expenses that are associated with more than one program or supporting services include payroll and related benefits, repairs and maintenance, depreciation, utilities, and insurance, which are allocated based on management's estimate of time and effort.

Subsequent Events

Management has evaluated subsequent events through March 8, 2023, the date the consolidated financial statements were available to be issued for the year ended June 30, 2022, and except for the item noted above, management determined there was no other subsequent event requiring disclosure in the consolidated financial statements.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 9,083,375
Accounts receivable	88,091
Investments	<u>10,173,232</u>
	19,344,698
Less donor-restricted funds not available for general expenditures	(8,792,426)
Less board-designated funds not available for general expenditures	<u>(18,400)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,533,872</u>

The Ebell maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4 – Investments

Investments at June 30, 2022 consists of the following:

	<u>Fair Value</u>	<u>Cost</u>
Corporate bonds	\$ 27,389	\$ 30,980
U.S. Treasury notes	44,414	47,949
Equities	999,591	1,024,005
Exchange traded funds (ETFs)	3,845,857	3,407,069
Mutual funds	<u>5,255,981</u>	<u>5,309,066</u>
	<u>\$ 10,173,232</u>	<u>\$ 9,819,069</u>

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 – Investments (Continued)

Net investment returns consists of the following for the year ended June 30, 2022:

Interest and dividend income	\$ 239,196
Net realized and unrealized loss on investments	(1,554,246)
Management fees	<u>(84,586)</u>
	<u>\$ (1,399,636)</u>

NOTE 5 – Property and Equipment

Property and equipment consists of the following at June 30, 2022:

Land	\$ 734,580
Buildings and improvements	3,526,224
Master plan renovation	76,648
Website	56,965
Furniture and fixtures	987,940
Equipment	<u>1,400,759</u>
	6,783,116
Less accumulated depreciation	<u>(4,654,459)</u>
	<u>\$ 2,128,657</u>

Depreciation expense for the year ended June 30, 2022 was allocated as follows:

Catering services	\$ 64,244
Facility rental	37,064
Program services	123,916
Support services	<u>21,868</u>
	<u>\$ 247,092</u>

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 – Loans

Line of Credit - Bank

The Ebell has a revolving loan financing agreement with a bank which allows for borrowings of up to \$1,900,000, with an interest rate of 2.875%. Borrowings are collateralized by virtually all tangible assets of the Club. At June 30, 2022, no amount was drawn-down on the loan financing agreement. The agreement includes certain financial and nonfinancial restrictive covenants, with which the Club was compliant at year-end.

PPP Loan

In March 2020, Congress passed the Paycheck Protection Program (PPP), authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities, and interest on mortgages. Loans obtained through the PPP are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

In February 2021, The Ebell received a second loan in the amount of \$476,952 through the PPP. To the extent it is not forgiven, The Ebell would be required to repay that portion at an interest rate of 1% over a period of two years, beginning November 2021, with a final installment in May 2023. On September 2021, The Ebell was notified that the full PPP loan amount was forgiven in full. As such, management has recognized the \$476,952 as PPP loan forgiveness on the consolidated statement of activities.

Economic Injury Disaster Loan

In June 2020, The Ebell received an Economic Injury Disaster Loan (EIDL) under the SBA's assistance program in light of the impact of the COVID-19 pandemic. Pursuant to the EIDL Agreement, The Ebell received a forgivable advance of \$10,000 and loan of \$150,000, to be used for working capital purposes only. On July 14, 2021, the loan amount was updated from \$150,000 to \$500,000. Pursuant to the EIDL Agreement, The Ebell executed; (i) a note for the benefit of the SBA, which contains customary events of default; and (ii) a Security Agreement, granting the SBA a security interest in all tangible and intangible personal property of The Ebell, which also contains customary events of default. The EIDL bears an interest rate of 2.75% per annum which accrue from the date of the advance. Installment payments, including principal and interest, are due monthly beginning December 2022. The balance of principal and interest is payable thirty years from the date of the EIDL Agreement.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – Contingencies

In the ordinary course of conducting its business, The Ebell becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against The Ebell which, from time to time, may have an impact on changes in net assets. The Ebell does not believe that these proceedings, individually or in the aggregate, would have a material effect on the accompanying consolidated financial statements.

Business Risks Associated with the Impact of COVID-19

Because of the severity and global nature of the COVID-19 pandemic, the impact on The Ebell's business could be significant and have a material impact on its financial position and operating results. There is significant uncertainty and management is in the process of evaluating the potential future impact on its business and consolidated financial statements.

NOTE 8 – Fair Value Measurements

The Ebell uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine the fair value disclosures. The fair value of a financial instrument is 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. Fair value is best determined based upon quoted market prices. However, in certain instances, there may not be quoted market prices for The Ebell's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The Ebell groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are other observable inputs, such as quoted prices for similar instruments or quoted prices in markets that are not active.
- Level 3 inputs are unobservable inputs for the asset or liability.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – Fair Value Measurements (Continued)

The following is a description of valuation methodologies used for assets recorded at fair value:

Investments: Where quoted prices are available in active markets, securities are classified within level 1 of the valuation hierarchy. Level 1 securities include equities and mutual funds. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. These instruments, which would generally be classified within level 2 of the fair value hierarchy, include government securities, corporate bonds, and asset-backed securities.

The following table presents instruments that are measured at fair value on a recurring basis in the accompanying consolidated statement of financial position at June 30, 2022:

<u>June 30, 2022</u>	<u>Total Assets at Fair Value</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Corporate bonds	\$ 27,389	\$ -	\$ 27,389	\$ -
US Treasury notes	44,414	-	44,414	-
Equities	999,591	999,591	-	-
Exchange traded funds	3,845,857	3,845,857	-	-
Mutual funds	<u>5,255,981</u>	<u>5,255,981</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,173,232</u>	<u>\$ 10,101,429</u>	<u>\$ 71,803</u>	<u>\$ -</u>

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 – Net Assets

Net assets restricted by donors, time, or designated by the Ebell at June 30, 2022 are as follows:

Net assets without donor restrictions:

Undesignated	\$ 8,868,304
Board designated for quasi endowment fund	<u>18,400</u>
Total Net Assets Without Donor Restrictions	<u>8,886,704</u>

Net asset with donor restrictions:

Donor restricted for specified purposes:	
The Ebell of Los Angeles Rest Cottage Association - Grants	3,187,990
The Ebell of Los Angeles Scholarship Fund - Scholarships	2,570,923
The Mr. and Mrs. Charles N. Flint Scholarship Fund - Scholarships	1,613,955
Donor restricted to be held in perpetuity:	
The Ebell of Los Angeles Scholarship Fund	1,379,558
The Mr. and Mrs. Charles N. Flint Scholarship Fund	<u>40,000</u>
Total Net Assets With Donor Restrictions	<u>8,792,426</u>
Total Net Assets	<u>\$ 17,679,130</u>

NOTE 10 – Endowment

The Ebell’s endowment consists of donor-designated funds to support scholarship awards for students. Net assets associated with endowment funds, including funds designated by the Board to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 – Endowment (Continued)

The Ebell has interpreted California’s enacted version of the *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, The Ebell classifies as net assets with donor restrictions: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (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, and (d) the remaining portion of the donor-restricted endowment fund that has yet to be appropriated for expenditure by The Ebell in a manner consistent with donor restrictions and standard of prudence prescribed by UPMIFA.

Endowment net asset composition at June 30, 2022 by type of fund is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Specified Purpose</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Board designated endowment fund	\$ 18,400	\$ -	\$ -	\$ 18,400
The Ebell of Los Angeles Scholarship Fund	-	2,570,923	1,379,558	3,950,481
The Mr. and Mrs. Charles N. Flint Scholarship Fund	-	<u>1,613,955</u>	<u>40,000</u>	<u>1,653,955</u>
Total endowment funds	<u>\$ 18,400</u>	<u>\$ 4,184,878</u>	<u>\$ 1,419,558</u>	<u>\$ 5,622,836</u>

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 – Endowment (Continued)

Changes in endowment net assets for the year ended June 30, 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		
		<u>Specified Purpose</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Beginning of year	\$ 18,400	\$ 5,245,849	\$ 1,419,558	\$ 6,683,807
Investment income:				
Investment income, net	-	74,141	-	74,141
Net depreciation	-	(803,862)	-	(803,862)
Total investment loss	-	(729,721)	-	(729,721)
Additions				
Contributions	-	2,000	-	2,000
Total Additions	-	2,000	-	2,000
Amounts appropriated for expenditure	-	(333,250)	-	(333,250)
End of year	<u>\$ 18,400</u>	<u>\$ 4,184,878</u>	<u>\$ 1,419,558</u>	<u>\$ 5,622,836</u>

Return Objectives and Risk Parameters

The Ebell’s endowment funds are invested and managed according to their investment and spending policies. These policies attempt to provide a consistent return on assets in order to achieve a stable stream of funding for programs supported by The Ebell’s endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long-term, meet or exceed the spending policy rate, plus the rate of inflation.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 – Endowment (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, The Ebell 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). The Ebell targets a diversified asset allocation for its investment portfolio in order to achieve its long-term return objectives within prudent risk constraints. The targeted rate of return and asset allocation are reviewed regularly by The Ebell's finance committee.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The objective of the endowment spending policy is to allocate the total endowment earnings between current spending and reinvestment for future earnings and expenditures in order to maintain or enhance the purchasing power of the endowment. The Ebell has set procedures for appropriating for expenditure each year a minimum of five percent of the fund's value for the trailing three years, subject to maintaining certain minimum fund balances. The spending policies are consistent with The Ebell's objectives to maintain the purchasing power of the endowment assets held in perpetuity, as well as, to provide additional real growth through new gifts and investment return.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
The Ebell of Los Angeles and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Ebell of Los Angeles and Affiliates (a nonprofit organization) (The Ebell), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered The Ebell's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Ebell's internal control. Accordingly, we do not express an opinion on the effectiveness of The Ebell's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of The Ebell's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and question costs as items 2022-01 that we considered to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Ebell's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The EBELL's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the The EBELL's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The EBELL's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Ebell's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Ebell's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Long Beach, California
March 8, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
The Ebell of Los Angeles and Affiliates

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Ebell of Los Angeles and Affiliates (a nonprofit organization) (The Ebell) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of The Ebell's major federal programs for the year ended June 30, 2022. The Ebell's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Ebell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Ebell and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Ebell's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Ebell's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of The Ebell as of and for the year ended June 30, 2022, and have issued our report thereon dated March 8, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Long Beach, California
March 8, 2023

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Contract/ Agreement Number</u>	<u>Passed- Through to Subrecipients</u>	<u>Federal Expenditures</u>
Small Business Administration				
Shuttered Venue Operators Grant	59.075	SBAHQ21SV017583	\$ -	\$ 3,948,733
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 3,948,733</u>

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Ebell of Los Angeles and Affiliates (The Ebell), and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

NOTE 2 – Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in the notes to the financial statements of The Ebell as of and for the year ended June 30, 2022.

The Ebell has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Consolidated Financial Statements

The auditors’ report expresses an unmodified opinion on whether the consolidated financial statements of The Ebell of Los Angeles and Affiliates were prepared in accordance with general accepted accounting principles.

Internal control over financial reporting

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – Yes
3. Noncompliance material to consolidated financial statements noted? – No

Federal Awards

Internal control over major programs

1. Material weakness(es) identified? – No
2. Significant deficiencies identified? – None reported
3. Type of auditors’ report issued on compliance for major programs – Unmodified
4. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? – No
5. Identification of major programs: Shuttered Venue Operators Grant, Assistance Listing #59.075
6. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. Auditee qualified as low-risk auditee? – No

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022
(Continued)**

SECTION II – FINDINGS CONSOLIDATED FINANCIAL STATEMENTS AUDIT

The following item is considered to be a significant deficiency:

2022-01 Payroll Expenditures Lacking Appropriate Supporting Documentation

- Condition: Management has established procedures for supervisors to review and approve timecards before payroll is processed. During our testing of payroll expense disbursements, we noted the following exceptions:
- Documented evidence of supervisor review and approval of time worked was not maintained, as review and approval were done electronically through the payroll system.
 - Employees were paid for their time needed for COVID-19 testing. However, there was no documented review or approval of the COVID-19 testing time prior to entering the time into the payroll system. The time and expenses charged were allowable, but controls over approving time were not followed in this situation.
- Criteria: Management is responsible for maintaining internal controls to ensure transactions are properly supported, authorized, and accurate. Strong internal controls provide for a control environment where errors and miscoded transactions are detected and corrected in a timely basis. Maintaining a system to approve time cards, along with documentation supporting the approval is a key to strong internal controls over payroll.
- Effect: There was no monetary impact to the exceptions noted as alternative documents were provided to support the transaction was valid and allowable. However, management did not consistently follow their internal control procedures when reviewing and approving hours on timecards, which could have led to errors or unauthorized payroll hours that were not related to operations.

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022
(Continued)**

SECTION II – FINDINGS CONSOLIDATED FINANCIAL STATEMENTS AUDIT (CONTINUED)

2022-01 Payroll Expenditures Lacking Appropriate Supporting Documentation (Continued)

Cause: The EBELL changed the timecard tracking system mid-year, which led to lost access to the system which would have supported that time cards were approved prior to payments made to employees. In addition, the COVID-19 testing for employee was a fluid situation and management was being flexible with the employee self-reporting time without a supervisor approving the time prior to processing.

Recommendation: We recommend management have strict documentation for all events that are out of the ordinary. Additionally, it is important to retain such documentation for purposes of supporting nonrecurring transactions / occurrences. This would include ensuring all time cards and additional hours relating to unforeseen circumstances have visual sign-offs or proof of inconsistencies to the internal control infrastructure.

Management's Response: Management acknowledges that support for certain payroll related transactions were lost and/ or not maintained during the transition to a new timecard tracking system and while navigating COVID related protocols. The new timecard tracking system has now been fully implemented including all necessary related internal controls.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None noted.

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

To the Boards of Directors of
The Ebell of Los Angeles and Affiliates

We have audited the consolidated financial statements of The Ebell of Los Angeles and Affiliates for the year ended June 30, 2022 and have issued our report thereon dated March 8, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating statements of financial position, and activities and changes in net assets are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Windes, Inc.

Long Beach, California
March 8, 2023

**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

	The Ebell of Los Angeles	The Ebell of Los Angeles Rest Cottage Association	The Ebell of Los Angeles Scholarship Endowment Fund	The Mr. and Mrs. Charles N. Flint Scholarship Endowment Fund	EBELL Friends	Eliminations	Total
ASSETS							
Cash and cash equivalents	\$ 8,941,398	\$ 21,870	\$ 22,269	\$ 12,566	\$ 85,272	\$ -	\$ 9,083,375
Accounts receivable	88,091	-	-	-	-	(12,500)	75,591
Investments	1,453,784	3,162,715	3,917,624	1,639,109	-	-	10,173,232
Inventories	36,754	-	-	-	-	-	36,754
Prepaid expenses and other assets	66,265	717	5,773	1,280	-	-	74,035
Intercompany receivables	9,000	5,688	8,815	3,000	1,575	(28,078)	-
Property and equipment, net	<u>2,128,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,128,657</u>
TOTAL ASSETS	<u>\$ 12,723,949</u>	<u>\$ 3,190,990</u>	<u>\$ 3,954,481</u>	<u>\$ 1,655,955</u>	<u>\$ 86,847</u>	<u>\$ (40,578)</u>	<u>\$ 21,571,644</u>
LIABILITIES AND NET ASSETS							
LIABILITIES							
Accounts payable and accrued expenses	\$ 583,311	\$ 3,000	\$ 4,000	\$ 2,000	\$ 14,500	\$ (23,075)	\$ 583,736
Deferred income	2,808,778	-	-	-	-	-	2,808,778
Economic Injury Disaster Loan	500,000	-	-	-	-	-	500,000
Intercompany payables	<u>17,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,503)</u>	<u>-</u>
Total Liabilities	<u>3,909,592</u>	<u>3,000</u>	<u>4,000</u>	<u>2,000</u>	<u>14,500</u>	<u>(40,578)</u>	<u>3,892,514</u>
NET ASSETS							
Without donor restrictions							
Undesignated	8,795,957	-	-	-	72,347	-	8,868,304
Board designated	<u>18,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,400</u>
	8,814,357	-	-	-	72,347	-	8,886,704
With donor restrictions	<u>-</u>	<u>3,187,990</u>	<u>3,950,481</u>	<u>1,653,955</u>	<u>-</u>	<u>-</u>	<u>8,792,426</u>
Total Net Assets	<u>8,814,357</u>	<u>3,187,990</u>	<u>3,950,481</u>	<u>1,653,955</u>	<u>72,347</u>	<u>-</u>	<u>17,679,130</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,723,949</u>	<u>\$ 3,190,990</u>	<u>\$ 3,954,481</u>	<u>\$ 1,655,955</u>	<u>\$ 86,847</u>	<u>\$ (40,578)</u>	<u>\$ 21,571,644</u>

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**THE EBELL OF LOS ANGELES AND AFFILIATES
(NONPROFIT ORGANIZATION)**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022**

		The Ebell of Los Angeles	The Ebell of Los Angeles Rest Cottage Association	The Ebell of Los Angeles Scholarship Endowment Fund	The Mr. and Mrs. Charles N. Flint Scholarship Endowment Fund	EBELL Friends	Eliminations	Total
REVENUE AND SUPPORT								
Income from club activities	\$	102,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,643
Membership dues		105,601	-	-	-	-	-	105,601
Contributions		117,471	1,210	2,000	-	82,348	(63,109)	139,920
Grant income		3,948,733	-	-	-	-	-	3,948,733
Investment returns, net		(233,344)	(436,571)	(515,199)	(214,522)	-	-	(1,399,636)
Auxiliary services:								
Catering services, net		779,525	-	-	-	-	-	779,525
Facility rental, net		1,566,679	-	-	-	-	-	1,566,679
PPP loan forgiveness		476,952	-	-	-	-	-	476,952
Intercompany income		36,000	-	-	-	-	(36,000)	-
Total Revenue and Support		<u>6,900,260</u>	<u>(435,361)</u>	<u>(513,199)</u>	<u>(214,522)</u>	<u>82,348</u>	<u>(99,109)</u>	<u>5,720,417</u>
EXPENSES								
Program services		1,193,843	160,000	197,500	102,000	63,634	(63,109)	1,653,868
Support services		<u>199,482</u>	<u>17,875</u>	<u>20,375</u>	<u>13,375</u>	<u>18,582</u>	<u>(36,000)</u>	<u>233,689</u>
Total Expenses		<u>1,393,325</u>	<u>177,875</u>	<u>217,875</u>	<u>115,375</u>	<u>82,216</u>	<u>(99,109)</u>	<u>1,887,557</u>
CHANGE IN NET ASSETS		5,506,935	(613,236)	(731,074)	(329,897)	132	-	3,832,860
NET ASSETS AT BEGINNING OF YEAR		<u>3,307,422</u>	<u>3,801,226</u>	<u>4,681,555</u>	<u>1,983,852</u>	<u>72,215</u>	<u>-</u>	<u>13,846,270</u>
NET ASSETS AT END OF YEAR	\$	<u>8,814,357</u>	<u>\$ 3,187,990</u>	<u>\$ 3,950,481</u>	<u>\$ 1,653,955</u>	<u>\$ 72,347</u>	<u>\$ -</u>	<u>\$ 17,679,130</u>

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