



**STEEL MAGNOLIAS**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of  
Steel Magnolias:

We have reviewed the accompanying financial statements of Steel Magnolias, a nonprofit organization, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

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

### Accountants' Responsibility

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

### Accountants' Conclusion

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

*Evergreen Alliance*

Los Alamitos, California  
August 20, 2022

**STEEL MAGNOLIAS  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 80,282
Investments	<u>88,628</u>
	168,910

**NON-CURRENT ASSETS**

Beneficial interest in funds held by community foundation	<u>459,211</u>
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**TOTAL ASSETS**

\$ 628,121

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	<u>\$ 1,253</u>
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**TOTAL LIABILITIES**

1,253

**NET ASSETS**

Without donor restrictions	626,868
With donor restrictions	<u>    --</u>

**TOTAL NET ASSETS**

626,868

**TOTAL LIABILITIES AND NET ASSETS**

\$ 628,121

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

**STEEL MAGNOLIAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

<b>REVENUE AND SUPPORT</b>	
Contributions	\$ 155,907
Investment income, net	<u>27,268</u>
	183,175
 <b>SPECIAL EVENTS</b>	
Revenue	185,013
Expense	<u>(62,673)</u>
	<u>122,340</u>
 <b>TOTAL REVENUE AND SUPPORT</b>	 305,515
 <b>TOTAL EXPENSES</b>	
Program services	151,957
Supporting services:	
Management and general	26,993
Fundraising	<u>2,860</u>
 <b>TOTAL EXPENSES</b>	 <u>181,810</u>
 <b>CHANGE IN NET ASSETS</b>	 123,705
 <b>NET ASSETS AT BEGINNING OF YEAR</b>	 <u>503,163</u>
 <b>NET ASSETS AT END OF YEAR</b>	 <u>\$ 626,868</u>

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

**STEEL MAGNOLIAS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>EXPENSES</b>				
Advertising	\$ --	\$ 731	\$ 210	\$ 941
Bank and merchant fees	--	6,071	--	6,071
Grants to other organizations	151,957	--	--	151,957
Insurance	--	1,734	--	1,734
Office expenses	--	11,595	2,588	14,183
Professional services	--	6,800	--	6,800
Website	<u>--</u>	<u>62</u>	<u>62</u>	<u>124</u>
<b>TOTAL EXPENSES</b>	<u>\$ 151,957</u>	<u>\$ 26,993</u>	<u>\$ 2,860</u>	<u>\$ 181,810</u>

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

**STEEL MAGNOLIAS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$	123,705
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(	3,628)
Realized and unrealized gain on beneficial interest in funds held by community foundation	(	23,563)
Change in operating assets and liabilities:		
Prepaid expenses		2,500
Accounts payable and accrued expenses		<u>855</u>
Net Cash Provided By Operating Activities		99,869

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of investments	(	85,000)
Contributions to beneficial interest in funds held by community foundation	(	<u>69,138)</u>
Net Cash Used In Investing Activities	(	<u>154,138)</u>

**NET CHANGE IN CASH AND  
CASH EQUIVALENTS**

( 54,269)

**CASH AND CASH EQUIVALENTS AT  
BEGINNING OF YEAR**

134,551

**CASH AND CASH EQUIVALENTS AT  
END OF YEAR**

\$ 80,282

**SUPPLEMENTAL DISCLOSURES**

Cash paid for interest	NONE
Cash paid for income taxes	NONE
Noncash investing transactions	NONE
Noncash financing transactions	NONE

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

**STEEL MAGNOLIAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 1 – Organization**

Steel Magnolias (the Organization) is a California nonprofit public benefit corporation that was established in September, 2011. The Organization’s mission is to raise funds to benefit children with developmental delays and disabilities, behavioral and learning challenges, and other special needs. Its main recipient is the Stramski Children’s Developmental Center located at Miller Children's and Women’s Hospital Long Beach (The Stramski Center). The Stramski Center is a special needs center that helps children and families deal with conditions such as autism, cleft lip and palate, birth defects, learning problems, and other developmental delays. It annually assists more than 4,000 children with a range of conditions and disorders.

The Organization receives contributions from its members and the general public, as well as through fundraising events in the Long Beach community.

**NOTE 2 – Summary of Significant Accounting Policies**

***Basis of Presentation of Financial Statements***

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (US GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

***Cash and Cash Equivalents***

All cash and highly liquid financial instruments with an original maturity of three months or less when purchased, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

***Investments***

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair value in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest and dividends are recorded when earned. See Note 4.



**STEEL MAGNOLIAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 2 – Summary of Significant Accounting Policies *(continued)***

***Beneficial Interest in Funds Held by Community Foundation***

The Organization’s Board of Directors established an endowment fund at the Long Beach Community Foundation (LBCF) whereby certain contributions would remain intact. The funds are invested in an allocated investment pool. Net income from the fund may be distributed annually to the Organization upon request. The Organization granted LBCF variance power over the funds at the time of the transfer, but since the Organization is a nonprofit organization, who specified themselves as the beneficiary, the Organization may recognize at fair value the beneficial interest in the assets held by LBCF. See also Notes 4 and 5.

***Classification of Net Assets***

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or grantor restrictions.

*Net Assets with Donor Restrictions* – Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, for example contributed assets that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, for example stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, laws extend to donor-imposed restrictions. The expirations of donor-imposed restrictions are recognized when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of December 31, 2021, the Organization did not have any net assets with donor restrictions.

***Revenue Recognition***

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Program service revenue and event sponsorships received in advance are deferred to the applicable period in which the related services are performed or event occurs.

***Donated Goods***

The Organization recognizes donated goods at their estimated fair market value where an objective basis is available to measure their value. During the year ended December 31, 2021, the Organization received \$915 of donated goods that were utilized as part of fundraising events.

**STEEL MAGNOLIAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 2 – Summary of Significant Accounting Policies *(continued)***

***Advertising***

Advertising costs are expensed to operations when incurred. Advertising expense for the year ended December 31, 2021 was \$941.

***Income Taxes***

The Organization has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701d, respectively.

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

***Estimates***

Management uses estimates and assumptions in preparing financial statements in accordance with Generally Accepted Accounting Principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from such estimates and those differences could be material.

***Credit Risk***

Deposit concentrations are managed by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts.

***Recent Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 15, 2021. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

**STEEL MAGNOLIAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 2 – Summary of Significant Accounting Policies (continued)**

***Recent Accounting Pronouncements (continued)***

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is aimed to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU 2020-07 is effective for nonpublic business entities for the annual reporting period beginning after June 15, 2021. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

***Subsequent Events***

The Organization has evaluated subsequent events through August 20, 2022, which is the date the financial statements were available to be issued for the year ended December 31, 2021 and there were no items to disclose.

**NOTE 3 – Liquidity and Availability**

Financial assets available for general expenditures within one year of the statement of financial position date are as follows:

Cash and cash equivalents	\$ 80,282
Investments	<u>88,628</u>
Total	<u>\$ 168,910</u>

As part of the Organization’s liquidity management plan, an operating budget is prepared annually and monitored on a regular basis to determine the Organization’s liquid position and future prospects. The Organization’s most significant expenditure is the contribution to The Stramski Center, which is determined based on the results of fundraising activities for the year.

The Board of Directors has designated funds for an operating reserve and a quasi-endowment fund for \$100,000 and \$459,211, respectively. The Board of Directors has the ability to undesignate these funds, which would make them available for general expenditures.

**STEEL MAGNOLIAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 4 - Fair Value Measurements**

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell assets in an orderly transaction in the principal, most advantageous market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the assets, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the assets based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- *Level 1* inputs are quoted prices (unadjusted) in active markets for identical assets that the Organization has the ability to access at the measurement date.
- *Level 2* inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- *Level 3* inputs are unobservable inputs for the asset.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset.

The fair value of the investments and beneficial interest in assets held by the community foundation are based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 investments. There have been no changes in the methodologies used at December 31, 2021.

**STEEL MAGNOLIAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 4 - Fair Value Measurements (continued)**

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2021:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments	\$ 88,628	--	--	\$ 88,628
Beneficial interest in funds held by comm. foundation	<u>459,211</u>	<u>--</u>	<u>--</u>	<u>459,211</u>
Total	<u>\$ 547,839</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 547,839</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2021:

Beginning balance	\$ 366,510
Contributions	154,138
Investment income, net	32,384
Administrative fees	( <u>5,193</u> )
Ending balance	<u>\$ 547,839</u>

**NOTE 5 – Endowment**

The Organization established the Steel Magnolias Pseudo-Endowment (Endowment) and designated \$342,000 as the initial contribution in 2020. This quasi-endowment is held without donor restrictions. As required by accounting principles generally accepted in the United States (GAAP), net assets associated with endowment funds designated by the Board are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment balance is included in the beneficial interest in assets held by a community foundation on the statement of financial position. The Board has interpreted the State of California enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original principal as of the transfer date.

**STEEL MAGNOLIAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 5 – Endowment (continued)**

The Organization 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. The portfolio is to be managed in a way that provides ongoing financial support for the operations of the Organization while protecting and increasing the value of the endowment through careful investment.

The change in endowment net assets for the year ended December 31, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning balance	\$ 366,510	\$ --	\$ 366,510
Contributions	69,138	--	69,138
Investment return, net	<u>23,563</u>	<u>--</u>	<u>23,563</u>
Ending balance	<u>\$ 459,211</u>	<u>\$ --</u>	<u>\$ 459,211</u>

**NOTE 6 – Net Assets Without Donor Restrictions**

The Board of Directors has designated a portion of net assets without donor restrictions for an operating reserve and quasi-endowment. Unappropriated earnings within the quasi-endowment are not considered Board-designated.

Net assets without donor restrictions were as follows for the year ended December 31, 2021:

Board-designated	
Operating reserve	\$ 100,000
Quasi-endowment	<u>459,211</u>
Total Board-designated	559,211
Undesignated	<u>67,657</u>
Total	<u>\$ 626,868</u>

**STEEL MAGNOLIAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 7 – Functional Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural and functional classification detail of expenses. Certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include advertising, office expenses, and website expenses, which are allocated based on estimates of time and effort.

**NOTE 8 – Related Parties**

The Organization at times utilizes printing services from a company owned by a member of the Board of Directors. During the year ended December 31, 2021, payments of \$5,815 were made to this company. The Organization at times utilizes catering services from a company owned by a recent member of the Board of Directors. During the year ended December 31, 2021, payments of \$7,106 were made to this company.

**NOTE 9 –Economic Uncertainty**

Global economies and financial markets have been impacted during the pandemic that began in December 2019 and continues in various capacities through the date the Organization’s financial statements were available for issuance. Although management continues to monitor and assess the effects of the pandemic on the Organization, the ultimate impact of the outbreak or a similar health epidemic is highly uncertain and subject to change.