Steel Magnolias

STEEL MAGNOLIAS

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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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, 2022, 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 29, 2023

STEEL MAGNOLIAS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	103,178
Investments		82,717
		185,895
NON-CURRENT ASSETS		
Beneficial interest in funds held by community foundation		402,857
TOTAL ASSETS	$	588,752

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	781
TOTAL LIABILITIES		781
NET ASSETS		
Without donor restrictions		587,971
TOTAL NET ASSETS		587,971
TOTAL LIABILITIES AND NET ASSETS	$	588,752

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

STEEL MAGNOLIAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 82,354	$ 5,000	$ 87,354
Investment income, net	(67,205)	--	(67,205)
Net assets released from donor restrictions	5,000	(5,000)	--
	20,149	--	20,149
SPECIAL EVENTS			
Special events revenue	196,600	--	196,600
Special events revenue – in-kind	25,156	--	25,156
Special events expense	(94,543)	--	(94,543)
	127,213	--	127,213
TOTAL REVENUE AND SUPPORT	147,362	--	147,362
EXPENSES			
Program services	152,873	--	152,873
Supporting services:			
Management and general	29,528	--	29,528
Fundraising	3,858	--	3,858
TOTAL EXPENSES	186,259	--	186,259
CHANGE IN NET ASSETS	(38,897)	--	(38,897)
BEGINNING NET ASSETS	626,868	--	626,868
ENDING NET ASSETS	$ 587,971	$ --	$ 587,971

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

STEEL MAGNOLIAS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
EXPENSES				
Advertising	$ --	$ 2,030	$ --	$ 2,030
Bank and merchant fees	--	2,665	--	2,665
Gifts and awards	--	154	--	154
Grants to other organizations	152,873	--	--	152,873
Insurance	--	1,731	--	1,731
Member expense	--	1,481	455	1,936
Office expenses	--	14,705	3,340	18,045
Professional services	--	6,600	--	6,600
Website	--	162	63	225
TOTAL EXPENSES	$ 152,873	$ 29,528	$ 3,858	$ 186,259

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

STEEL MAGNOLIAS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	($ 38,897)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized loss on investments	10,911
Realized and unrealized loss on beneficial interest in funds held by community foundation	56,354
Change in operating assets and liabilities:	
Accounts payable and accrued expenses	(472)
Net Cash Provided By Operating Activities	27,896
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(5,000)
Net Cash Used In Investing Activities	(5,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	22,896
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	80,282
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 103,178
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.

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.

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.

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, 2022, the Organization received $25,156 of donated goods that were utilized as part of fundraising events.

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, 2022 was $2,030.

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.

Accounting Pronouncements Adopted

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 became effective for nonpublic business entities for the annual reporting period beginning after December 15, 2022.

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

Accounting Pronouncements Adopted (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 became effective for nonpublic business entities for the annual reporting period beginning after June 15, 2022.

Subsequent Events

The Organization has evaluated subsequent events through August 29, 2023, which is the date the financial statements were available to be issued for the year ended December 31, 2022 noting 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	$ 103,178
Investments	82,717
Total	$ 185,895

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 $402,857, respectively. The Board of Directors has the ability to undesignate these funds, which would make them available for general expenditures.

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, 2022.

NOTE 4 - Fair Value Measurements *(continued)*

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2022:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Funds held by comm. foundation	$ 77,717	--	--	$ 77,717
Beneficial interest in funds held by comm. foundation	402,857	--	--	402,857
Certificates of deposit	5,000	--	5,000	--
Total	$ 485,574	$ --	$ 5,000	$ 480,574

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, 2022:

Beginning balance	$ 547,839
Investment income, net	(61,515)
Administrative fees	(5,750)
Ending balance	$ 480,574

NOTE 5 – Endowment

The Organization established the Steel Magnolias Psuedo-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.

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 quasi-endowment net assets for the year ended December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	$ 459,211	$ --	$ 459,211
Investment return, net	(56,354)	--	(56,354)
Ending balance	$ 402,857	$ --	$ 402,857

NOTE 6 – Net Assets

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, 2022:

Board-designated	
Operating reserve	$ 100,000
Quasi-endowment	402,857
Pseudo-endowment	5,000
Total Board-designated	507,857
Undesignated	80,114
Total	$ 587,971

NOTE 6 – Net Assets *(continued)*

Net Assets With Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, or by occurrence of the passage of time or other events specified by donors as follows for the fiscal year ended December 31, 2022:

Satisfaction of purpose restrictions:	
Pseudo-endowment	$ 5,000
Total	5,000

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 member expenses, office expenses, and website expenses, which are allocated based on estimates of time and effort.

NOTE 8 – Related Parties

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, 2022, payments of $27,253 were made to this company.

NOTE 9 – Concentrations

For the year ended December 31 2022, one donor contributed 63% of total contribution revenue.