

MIZELL CENTER
AND MIZELL ENDOWMENT FUND

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mizell Center
Palm Springs, California

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Mizell Center and Mizell Endowment Fund (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mizell Center and Mizell Endowment Fund 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mizell Center and Mizell Endowment Fund 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mizell Center and Mizell Endowment Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mizell Center and Mizell Endowment Fund'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 audit was conducted for the purpose of forming an opinion on the 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 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 financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 November 15, 2022, on our consideration of Mizell Center's 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 solely 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 the effectiveness of Mizell Center's 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 Mizell Center's internal control over financial reporting and compliance.

Coachella Valley
Accounting & Auditing

La Quinta, CA

November 15, 2022

MIZELL CENTER AND ENDOWMENT FUND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Cash and cash equivalents - without donor restrictions	\$ 250,854
Cash and cash equivalents - with donor restrictions	511,501
Accounts receivable	377,350
Beneficial interest in Inland Empire Community Fund	1,118,781
Property and equipment, net	443,713
Donated artwork	19,050
Other assets	<u>1,309</u>

TOTAL ASSETS	\$ <u>2,722,558</u>
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LIABILITIES AND NET ASSETS

Accounts payable	\$ 41,942
Accrued payroll expenses	118,213
Beneficiary payable	<u>23,561</u>

TOTAL LIABILITIES	<u>183,716</u>
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NET ASSETS

Without donor restrictions	946,090
Without donor restrictions - board designated - endowment	1,081,251
With donor restrictions	<u>511,501</u>

TOTAL NET ASSETS	<u>2,538,842</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,722,558</u>
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(The accompanying notes are an integral part of these financial statements)

MIZELL CENTER AND ENDOWMENT FUND
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions				
	Operating	Board Designated Endowment	Total	With Donor Restrictions	Total
REVENUES AND SUPPORT					
Contributions - general	\$ 296,569	\$ -	\$ 296,569	\$ -	\$ 296,569
Government grants	1,669,370	-	1,669,370	-	1,669,370
Other grants	32,400	-	32,400	460,723	493,123
Special events	208,750	-	208,750	-	208,750
Memberships - business partners	51,187	-	51,187	-	51,187
Memberships - individuals	50,949	-	50,949	-	50,949
Program services	409,137	-	409,137	-	409,137
Rental income	15,683	-	15,683	-	15,683
Thrift store income	53,253	-	53,253	-	53,253
Use of contributed facilities	92,000	-	92,000	-	92,000
Other income	1,084	-	1,084	-	1,084
Management contract	190,647	-	190,647	-	190,647
Interest and dividends	34	31,917	31,951	-	31,951
Net realized and unrealized losses on investments	-	(188,944)	(188,944)	(3,083)	(192,027)
Net gain on disposal of assets	8,161	-	8,161	-	8,161
Investment management fees	-	(12,061)	(12,061)	-	(12,061)
Net assets released from restrictions:					
Purpose restrictions satisfied	85,967	-	85,967	(85,967)	-
Total revenue and support	3,165,191	(169,088)	2,996,103	371,673	3,367,776
EXPENSES					
Program services:					
Meals on wheels	1,191,888	-	1,191,888	-	1,191,888
Nutrition/congregate lunches	660,214	-	660,214	-	660,214
Other programs	866,946	-	866,946	-	866,946
Total program services	2,719,048	-	2,719,048	-	2,719,048
Support services:					
Management and general	150,898	3,057	153,955	-	153,955
Fundraising	332,238	-	332,238	-	332,238
Total support services	483,136	3,057	486,193	-	486,193
TOTAL EXPENSES	3,202,184	3,057	3,205,241	-	3,205,241
INCREASE (DECREASE) IN NET ASSETS	(36,993)	(172,145)	(209,138)	371,673	162,535
NET ASSETS - BEGINNING OF YEAR					
as previously stated	1,017,181	1,253,396	2,270,577	139,828	2,410,405
PRIOR YEAR RESTATEMENT	(34,098)	-	(34,098)	-	(34,098)
NET ASSETS - BEGINNING OF YEAR					
restated	983,083	1,253,396	2,236,479	139,828	2,376,307
NET ASSETS - END OF YEAR	\$ 946,090	\$ 1,081,251	\$ 2,027,341	\$ 511,501	\$ 2,538,842

(The accompanying notes are an integral part of these financial statements)

MIZELL CENTER AND ENDOWMENT FUND
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - PROGRAM SERVICES
FOR THE YEAR ENDED JUNE 30, 2022

	Meals on Wheels	Nutrition/ Congregate Lunches	Other Programs	Total Program Services
Salaries	\$ 485,392	\$ 272,473	\$ 507,536	\$ 1,265,401
Bank charges	-	-	6,683	6,683
Business partner expenses	-	-	1,935	
Building repairs and maintenance	2,084	2,084	9,075	13,243
Computer expenses	-	-	9,623	9,623
Food costs	436,399	262,360	2,112	700,871
Depreciation	12,116	7,269	19,385	38,770
Dues and subscriptions	-	-	1,287	1,287
Employee health insurance	34,274	19,240	35,838	89,352
Equipment rental and repairs	83,210	10,034	9,488	102,732
Insurance	17,780	576	4,664	23,020
Janitorial	-	-	2,869	2,869
Kitchen expenses	14,096	12,509	-	26,605
Membership expenses	-	-	5,281	5,281
Office supplies	3,307	2,757	7,501	13,565
Payroll processing fees	155	87	162	404
Payroll taxes	41,523	23,309	43,417	108,249
Printing and postage	-	-	5,062	5,062
Professional services	2,200	2,200	21,895	26,295
Program expenses	2,888	3,486	81,440	87,814
Public relations	-	-	8,001	8,001
Rent - facilities	18,389	18,389	36,778	73,556
Retirement plan	1,847	1,037	1,931	4,815
Seminars and training	160	142	1,124	1,426
Taxes and licenses	-	-	2,016	2,016
Thrift store expenses	-	-	1,980	1,980
Travel	-	-	2,683	2,683
Utilities	18,904	12,627	19,233	50,764
Workers compensation insurance	17,164	9,635	17,947	44,746
Total program services	<u>\$ 1,191,888</u>	<u>\$ 660,214</u>	<u>\$ 866,946</u>	<u>\$ 2,719,048</u>

(The accompanying notes are an integral part of these financial statements)

MIZELL CENTER AND ENDOWMENT FUND
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - SUPPORT SERVICES
FOR THE YEAR ENDED JUNE 30, 2022

	Management and General	Fundraising	Total Support Services
	<hr/>	<hr/>	<hr/>
Salaries	\$ 79,721	\$ 141,855	\$ 221,576
Bank charges	3,341	3,341	6,682
Building repairs and maintenance	3,366	4,200	7,566
Computer expenses	4,812	4,812	9,624
Depreciation	9,693	-	9,693
Dues and subscriptions	644	644	1,288
Employee health insurance	5,629	10,017	15,646
Insurance	3,467	1,860	5,327
Janitorial expenses	1,435	1,435	2,870
Office supplies	1,806	1,806	3,612
Office equipment & rentals	3,558	4,744	8,302
Payroll processing fees	25	46	71
Payroll taxes	6,820	12,135	18,955
Printing and postage	572	572	1,144
Professional services	12,350	10,948	23,298
Program expenses	463	463	926
Public relations	-	3,117	3,117
Retirement plan	303	540	843
Rent - facilities	4,597	13,792	18,389
Seminars and training	562	562	1,124
Special Events	-	102,411	102,411
Taxes and licenses	1,058	1,008	2,066
Travel	70	70	140
Utilities	6,844	6,844	13,688
Workers compensation insurance	2,819	5,016	7,835
	<hr/>	<hr/>	<hr/>
Total support services	<u>\$ 153,955</u>	<u>\$ 332,238</u>	<u>\$ 486,193</u>

(The accompanying notes are an integral part of these financial statements)

MIZELL CENTER AND ENDOWMENT FUND
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from donors and customers	\$ 3,518,822
Cash paid to suppliers and employees	(3,039,795)
Interest received	<u>34</u>
Net cash provided by operating activities	<u>479,061</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(78,329)
Proceeds received from disposal of assets	<u>8,161</u>
Net cash used by investing activities	<u>(70,168)</u>

NET INCREASE IN CASH 408,893

CASH AT BEGINNING OF YEAR 353,462

CASH AT END OF YEAR \$ 762,355

Cash and cash equivalents - without donor restrictions	\$ 250,854
Cash and cash equivalents - with donor restrictions	<u>511,501</u>
Total cash and cash equivalents	<u><u>\$ 762,355</u></u>

RECONCILIATION OF CHANGE IN NET ASSETS

TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Increase in net assets	<u>\$ 162,535</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	48,463
Change in value of endowment investment	177,727
Gain on sale of assets	(8,161)
Changes in operating assets and liabilities:	
Accounts receivable	74,573
Other assets	(1,059)
Accounts payable and accrued payroll expenses	(13,073)
Accrued payroll expenses	63,851
Deferred grant	(22,500)
Beneficiary payable	<u>(3,295)</u>
Total adjustments	<u>316,526</u>
Net cash provided by operating activities	<u><u>\$ 479,061</u></u>

(The accompanying notes are an integral part of these financial statements)

MIZELL CENTER AND ENDOWMENT FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Center is a not-for-profit entity incorporated in California on January 21, 1980. The Center's primary source of revenues is contributions from individuals, business, government grants and philanthropic organizations located in the Coachella Valley area of Southern California, investment earnings, and program service fees.

The consolidated financial statements of the Center include its affiliate, the Mizell Center Endowment Fund (the Endowment Fund). This affiliate is a separately incorporated charitable entity that is administered by the Center. All significant intercompany balances and transactions have been eliminated within the consolidated financial statements. The Center and its affiliate are collectively referred to herein as the Center.

Financial Statement Presentation

The Center reports information regarding its financial position and activities according to three classes of net assets; net assets without donor restriction and net asset without donor restriction – board designated, and net assets with donor restriction, based upon the existence or absence of donor-imposed restrictions.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Net Assets Without Donor Restrictions

These funds represent all resources over which the Board of Directors has discretionary control for use in operating the Center, as well as all property and equipment of the Center.

Net Assets Without Donor Restrictions – Board Designated

These funds represent all resources over which the Board of Directors has discretionary control for use in operating the Center. The Board of Directors have designated funds for an endowment and reserves for the Center.

Net Assets With Donor Restrictions

These funds represent those resources that are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose for restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions of \$511,501 as of June 30, 2022.

Support and Revenue

Annual contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Unconditional promises to give are recorded as revenue when received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end.

MIZELL CENTER AND ENDOWMENT FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue - Continued

Grants and other contributions of cash and other assets are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Program service fees are recorded when services are provided.

Contributions of donated noncash assets are recorded at their fair value in the period received with the exception of items donated for resale at the thrift store. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations, are recorded at their fair values in the period received.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Center considers all unrestricted, undesignated highly liquid investments with an original maturity of three months or less to be cash equivalents.

Beneficial Interest in Inland Empire Community Foundation

The Endowment Fund has entered into a revocable agreement with Inland Empire Community Foundation, Riverside California (IECF). Under this agreement, the Endowment Fund's investment portfolio is managed by IECF and the Center has been named the beneficiary of those pooled funds. The Center's beneficial interest in IEFC is reported at fair value with gains and losses included in the consolidated statement of activities. Investment income is recorded when earned.

Investment accounts, in general, are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Property and Equipment

Property and equipment purchased by the Center are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 31 years. The Endowment Fund has no property or equipment. Equipment purchases using Title III funding, in excess of \$5,000, are expensed in accordance with grant requirements. The equipment acquired are owned by CDA (California Department on Aging). Prior CDA approval via Riverside County Office on Aging is required for retiring or sales of assets.

Contributed Facilities and Services

The Center occupies land and facilities owned by The City of Palm Springs (the City) under the provisions of a 40 year lease. No lease payments for the premises are made by the Center. The estimated fair value of the land and facilities is reported as contribution and expense in the consolidated statement of activities. The Center's lease expires in October 2028. The fair market value of the lease is \$7,662 per month.

MIZELL CENTER AND ENDOWMENT FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center receives donated services from a variety of unpaid volunteers assisting the Center in its program services and fundraising campaigns. No amounts for donated services have been recognized in the accompanying statement of activities since no objective basis is available to measure the value of such services.

Program Services and Functional Allocation of Expenses

The Center provides the following program services:

Meals on Wheels
Nutrition/Congregate Lunch
Other Programs

The costs of providing the Center's various program and support services have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the program and support services benefited.

Use of Estimates

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

Income Taxes

The Center and the Endowment fund are exempt from federal income and California franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State Revenue and Taxation Code, respectively. The Center and the Endowment Fund policy is to record income tax related interest and penalties in operating expenses. For the year ended June 30, 2022, there was no interest or penalties expense recorded and no accrued interest or penalties.

The Center's and Endowment Fund's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the Internal Revenue Service, generally for three years after they are filed. The Center's and Endowment Fund's Forms 199, California Exempt Organization Annual Information Return, are subject to examination by the Franchise Tax Board, generally for four years after they are filed.

Recent Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958) which is effective for the Organization's year ending June 30, 2022, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requires. The pronouncement has been implemented in the June 30, 2022 financials.

MIZELL CENTER AND ENDOWMENT FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior year restatement

The June 30, 2021 net assets have been restated for \$34,098 to properly reflect that expensing of assets obtained using County provided funds that were previously capitalized.

2. BENEFICIAL INTEREST IN INLAND EMPIRE COMMUNITY FOUNDATION

Under the Endowment Fund's agency agreement with IECF, the Endowment Fund's investment portfolio is managed by IECF and the Center has been named the beneficiary of those pooled funds. The Center's beneficial interest consists of funds invested in a pooled investment fund managed by Inland Empire Community Foundation, Riverside, California. The funds may be petitioned for return to the Center by a two-thirds majority vote of the Center's Board of Directors, subject to IECF's approval. Net realized and unrealized losses on investments carried at fair value for the year ended June 30, 2022 was \$192,027, and have been included in the consolidated statements of activities and changes in net assets. Investment expenses relating to investment revenue were \$12,061 for the year ended June 30, 2022.

3. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Level 2 inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices of identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means

As of June 30, 2022 the Organization had investments of \$1,118,781 valued at the level 2 measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

Inland Empire Community Foundation Endowment Investments (the Foundation). The beneficial interest in assets held at Inland Empire Community Foundation has been valued, as a practical expedient, at the fair value of the Center's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting.

MIZELL CENTER AND ENDOWMENT FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

3. FAIR VALUE MEASUREMENTS (Continued)

- The estimated fair values of certain investments of the Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. PROPERTY AND EQUIPMENT

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

Building Improvements	\$ 2,030,906
Vehicles	234,178
Equipment	205,654
Computer Lab	17,955
Construction in process	50,221
	<hr/>
	2,538,914
Less accumulated depreciation and amortization	(2,095,201)
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Net property and equipment	<u>\$ 443,713</u>

5. DONATED ARTWORK

Artwork donated to the Center and considered inexhaustible is recorded at estimated fair market value at the date of donation. The Center's collection includes paintings, sculptures and similar art objects. Donated artwork amounted to \$19,050 at June 30, 2022.

6. LEASE COMMITMENTS

The Center leases certain office equipment under operating leases on recurrent and month-to-month basis. Equipment rental expense for the year ended June 30, 2022 was \$23,719. The Center has one operating lease that has a term in excess of one year and was entered into during July 2017 and expires June 2022.

As discussed in Note 1, the Center also leases its facilities from the City of Palm Springs. Contributed facilities rent expense for the year ended June 30, 2022 was \$91,944. The lease with the City is effective until October 2028, or sooner in the case of a qualifying event.

MIZELL CENTER AND ENDOWMENT FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

7. ENDOWMENT FUNDS

Board-designated Endowment

As of June 30, 2022, the Board of Directors had designated \$1,081,251 of net assets without donor restrictions as a general endowment fund to support the operations of the Center. Since these amounts resulted from internal designations and are not donor-restricted, they are classified and reported as net assets without donor restrictions.

The Center has transferred assets to Inland Empire Community Foundation as an agency component fund ("Fund") for the benefit of the Center. The Fund is subject to IECF's investment and spending policies which currently results in a gross annual distribution to the Center of 5% of the endowment's principal market value based on a rolling twelve quarter average, payable to the Center in monthly installments. The Center reports the fair value of the Fund as Beneficial Interest in Inland Empire Community Foundation in the statement of financial position and reports changes in the value of the fund as gains or losses in the statement of activities.

Investment Return Objectives, Risk Parameters and Strategies. The Center has adopted an investment policy, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. During the year ending June 30, 2021, the Board of Directors discontinued distributions to the Center and future distributions will be re-evaluated in the future.

Donor-designated Endowment

The Center is the recipient of donor restricted endowment funds that may be used for unrestricted purposes upon the death of the donors. The funds have been transferred to Inland Empire Community Foundation as an agency. The Center reports the fair value of these funds as a portion of the Beneficial Interest in Inland Empire Community Foundation in the statement of financial position and reports changes in the value of the fund as gains or losses in the statement of activities.

Endowment Net Assets are composed entirely of assets without donor restrictions- board designated and assets with donor restrictions with a value of \$1,092,996 at June 30, 2022.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,253,396	\$ 14,828	\$ 1,268,224
Investment income	31,917	-	31,917
Net investment gain (loss)	(188,944)	(3,083)	(192,027)
Contributions	-	-	-
Amounts appropriated for expenditures	(3,057)	-	(3,057)
Investment and administrative fees	(12,061)	-	(12,061)
Endowment net assets, end of year	<u>\$ 1,081,251</u>	<u>\$ 11,745</u>	<u>\$ 1,092,996</u>

MIZELL CENTER AND ENDOWMENT FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

8. LINE OF CREDIT

The Center has a secured line of credit with a maximum amount available of \$50,000 at an interest rate of 9.25%. This line of credit was most recently renewed December 10, 2021 and will mature on December 10, 2022. The balance as of June 30, 2022 was \$0.

9. MANAGEMENT CONTRACT

The Center entered into a management agreement with the City of Desert Hot Springs where the Center and staff hired by the Center will function as the service provider for the Desert Hot Springs Senior Center. The agreement references to a specific budget for the 2021/2022 fiscal year. The total compensation received for this contract for the year ended June 30, 2022 was \$190,647 with the related expenses being \$171,640.

10. EMPLOYEE'S 403(b) PLAN

The Center established a 403(b) plan in August 2019 for its employees to contribute to with the possibility for employer matching contributions as approved by the Board of Directors. All employees are eligible to participate, except those that who are non-resident aliens with no U.S. source income. In order to receive employer matching contributions an employee must complete at least one year of service and work 1,000 hours each year. Effective January 2022 the Board approved a new policy to match employee contributions up to 2%. For the year ending June 30, 2022 there were \$5,658 in employer matching contributions.

11. CAPITAL CAMPAIGN

In of October 2021, the Mizell Center had started planning the launch of the "Mizell Kitchen Expansion Capital Campaign 2022", a \$1.3 million initiative to fund the expansion of the existing kitchen with an additional 1,134 square feet of work space and modern, energy efficient appliances, potentially double the existing staff which will allow a greater opportunity to provide other local no-profits with meals for their clients, more opportunities for volunteer involvement, service and engagement. The campaign officially launched April 2022. As of June 30, 2022, the campaign accumulated approximately \$433,000, of which, \$250,000 was provided by The Angel Family in honor of Anastasia Angel.

12. LIQUIDITY

The Center 's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 250,854
Accounts receivables	377,350
Total	<u>\$ 628,204</u>

Income from donor-restricted sources is restricted for specific purposes and, therefore, is not available for general expenditure. Board designated cash and investments are excluded from the above liquidity determination since the Board has not released any designations as of June 30, 2022.

MIZELL CENTER AND ENDOWMENT FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

13. SUBSEQUENT EVENTS

The Center evaluated all potential subsequent events as of November 15, 2022 when the financial statements were authorized and available to be issued. No subsequent events were identified after June 30, 2022 or as of November 15, 2022 that require disclosure to the financial statements, other than those described below.

As of the date of this report, approximately \$576,000 was received in addition to the amounts mentioned in Note 11. Capital Campaign, of which, \$500,000 was provided by The City of Palm Springs (Measure J). The total capital campaign contributions received through the date of this report is approximately \$1,009,000.

SUPPLEMENTARY INFORMATION



ACCOUNTING & AUDITING

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

Board of Directors
Mizell Center
Palm Springs, California

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 financial statements of Mizell Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mizell Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mizell Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mizell Center'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 entity's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mizell Center's 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 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*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Coachella Valley
Accounting & Auditing

November 15, 2022

La Quinta, CA



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

Board of Directors
Mizell Center
Palm Springs, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mizell Center's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Mizell Center's major federal programs for the year ended June 30, 2022. Mizell Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mizell Center's 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 standard and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mizell Center 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 Mizell Center'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, regulation, rules, and provisions of contract or grant agreements applicable to Mizell Center's federal programs.

Auditor's 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 Mizell Center'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 Mizell Center'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 Mizell Center'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 Mizell Center'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 Mizell Center'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 Auditor's 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.

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.

Coachella Valley
Accounting & Auditing

La Quinta, CA

November 15, 2022

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

<u>Federal Grantor/Pass-Through Agency/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Pass-through programs from:			
County of Riverside Office on Aging			
Title IIIC1 - Congregate Nutrition	93.045	OA42003FY22S	\$ 315,986
Title IIIC1 - Congregate Nutrition	93.045	OA42003FY22SO	27,046
Title IIIC1 - Congregate Nutrition - Incentive Program	93.045	OA42050FYS	76,434
Title IIIC2 - Home-Delivered Nutrition	93.045	OA42103FY22S	321,967
Title IIIC2 - Home-Delivered Nutrition - Incentive Program	93.045	OA42150FY22S	81,782
Title IIIC2 - OTO Home-Delivered Nutrition	93.045	OA42103FY22SO	31,554
Title IIIC2 - OTO Home-Delivered Nutrition - COVID	93.045	OA42119FY22C	946
Total U.S. Department of Health and Human Services			<u>855,715</u>

U.S. Department of Housing and Urban Development

Pass-through program from:

City of Palm Springs			
Community Development Block Grant Program	14.218		<u>18,874</u>

Total U.S. Department of Housing and Urban Development 18,874

Total expenditures of federal awards \$ 874,589

<u>Pass-Through Agency/Program</u>	<u>State and Local Expenditures</u>
Pass-through programs from:	
County of Riverside Office on Aging	<u>\$ 713,655</u>
Total expenditures of state and local awards	<u>\$ 713,655</u>

MIZELL CENTER

NOTES TO 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 Mizell Center under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mizell Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Mizell Center.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

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

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

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Mizell Center were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Mizell Center, were disclosed during the audit.
4. No significant deficiencies relating to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and Internal Control Over Compliance Required By The Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for Mizell Center expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that should be disclosed in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were:

<u>Program Name</u>	<u>CFDA#</u>
Title IIIC1 – Congregate Nutrition	93.045
Title IIIC2 – Home-Delivered Nutrition	93.045

8. The dollar threshold used for distinguishing between Type A and B programs was \$750,000.
9. Mizell Center was determined not to be low-risk auditee.

B. Findings – Financial Statements Audit

None

C. Findings And Questioned Costs – Major Federal Award Programs Audit

There were no findings and questioned costs for the year ended June 30, 2022.

MIZELL CENTER

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

FEDERAL COMPLIANCE

There were no prior year findings and questioned costs for the year ended June 30, 2021.