
**ORANGE COUNTY BAR FOUNDATION
dba PROJECT YOUTH OC**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

To the Board of Directors
Orange County Bar Foundation, dba Project Youth OC

Opinion

We have audited the financial statements for Orange County Bar Foundation, dba Project Youth OC ("PY OC"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PY OC as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S generally accepted accounting principles.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United State of America ("GAAS"). 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 PY OC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with GAAP; 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.

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 PY OC's ability to continue as a going concern for one year after the date that the financial statement is issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statement as a whole is 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 not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of this financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 disclosure 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 PY OC'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about PY OC'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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2024, on our consideration of PY OC'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 the PY OC'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 PY OC's internal control over financial reporting and compliance.



Cambaliza McGee LLP
Newport Beach, California
July 25, 2024

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Statements of Financial Position
December 31, 2023 and 2022

	Assets	
	2023	2022
Current assets:		
Cash and equivalents	\$ 157,134	\$ 343,073
Investments	1,466,262	1,475,953
Grants receivable	189,031	161,438
Inventory	23,139	24,912
Prepaid expenses	5,545	15,096
Campaign pledges - current portion	103,650	155,754
Total current assets	<u>1,944,761</u>	<u>2,176,226</u>
Noncurrent assets:		
Campaign pledges - noncurrent portion	77,462	152,008
Property and equipment, net	1,858,853	1,888,258
Right-of-use asset finance leases, net	34,667	52,000
Total noncurrent asset	<u>1,970,982</u>	<u>2,092,266</u>
Total assets	<u><u>\$ 3,915,743</u></u>	<u><u>\$ 4,268,492</u></u>
	Liabilities and Net Assets	
Current liabilities:		
Accounts payable	\$ 15,805	\$ 6,373
Accrued expenses	70,534	97,317
Deferred revenue	73,400	87,770
Note payable - current portion	33,233	31,805
Finance lease liability - current portion	9,308	8,240
Total current liabilities	<u>202,280</u>	<u>231,505</u>
Noncurrent liabilities:		
Note payable, net of current portion	762,762	804,181
Finance lease liability, net of current portion	28,899	38,207
Total noncurrent liabilities	<u>791,661</u>	<u>842,388</u>
Total liabilities	<u>993,941</u>	<u>1,073,893</u>
Net Assets:		
Without donor restrictions	2,511,725	2,726,689
With donor restrictions	410,077	467,910
Total net assets	<u>2,921,802</u>	<u>3,194,599</u>
Total liabilities and net assets	<u><u>\$ 3,915,743</u></u>	<u><u>\$ 4,268,492</u></u>

See accompanying notes to financial statements.

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Statement of Activities

Year ended

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Unrestricted net assets:		
Revenue and support:		
Foundation revenue	\$ 1,793,996	\$ 1,357,655
Grant revenue	-	191,235
Fundraising events	195,066	515,697
Contributions - various	119,136	89,727
Comprehensive campaign - unrestricted	2,000	60,150
Contributions - Society of Fellows	16,070	23,790
In-kind revenue	16,190	-
Investment return	53,536	34,311
Total unrestricted revenue and support	<u>2,195,994</u>	<u>2,272,565</u>
Net assets released from donor restrictions:		
Satisfaction of program restrictions	95,833	84,167
Appropriated for building loan	32,000	17,300
Total unrestricted revenues, support, and reclassifications	<u>2,323,827</u>	<u>2,374,032</u>
Expenses:		
Program services:		
Juvenile crime prevention	660,571	659,543
Academic and career development	692,597	507,282
Health education	613,780	482,593
Total program services	<u>1,966,948</u>	<u>1,649,418</u>
Support services:		
Fund development	426,629	510,048
Management and general	145,214	160,302
Total support services	<u>571,843</u>	<u>670,350</u>
Total expenses	<u>2,538,791</u>	<u>2,319,768</u>
(Decrease) Increase in net assets without donor restrictions	<u>(214,964)</u>	<u>54,264</u>
Changes in net assets with donor restrictions:		
Contributions	70,000	95,000
Net assets released from restrictions	(127,833)	(101,467)
Decrease in net assets with donor restrictions	<u>(57,833)</u>	<u>(6,467)</u>
Change in net assets	(272,797)	47,797
Net assets at beginning of year	<u>3,194,599</u>	<u>3,146,802</u>
Net assets at end of year	<u>\$ 2,921,802</u>	<u>\$ 3,194,599</u>

See accompanying notes to financial statements.

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)
Statement of Functional Expenses
Year ended December 31, 2023

	Program Services				Support Services		
	Juvenile Crime Prevention	Academic and Career Development	Health Education	Total Program Services	Management and General	Fund Development	Total Expenditures
Association Fees 1605 E 17th	\$ 5,332	\$ 4,342	\$ 4,092	\$ 13,766	\$ 996	\$ 1,775	\$ 16,537
Audit/Accounting Fees	8,365	6,513	6,313	21,191	1,683	2,778	25,652
Bank Fees	107	120	89	316	6,689	7,854	14,859
Building Repairs/Maintenance	10,473	8,438	8,021	26,932	1,997	3,402	32,331
Computer Maintenance/Purchases/Software	7,727	7,683	8,092	23,502	2,454	4,690	30,646
Conf/Travel/Training	2,947	3,725	1,071	7,743	(5,650)	6,458	8,551
Consultants	25,912	24,794	20,658	71,364	22,929	74,627	168,920
Court Fees	17,840	-	-	17,840	-	-	17,840
Depreciation expense	15,775	14,449	17,053	47,277	4,421	7,580	59,278
Director Expense	3,229	3,286	2,445	8,960	4,827	874	14,661
FR Event Expense	-	-	-	-	-	64,614	64,614
Incentives	25	924	1,160	2,109	-	-	2,109
In-kind Expense	1,914	1,450	1,450	4,814	290	11,086	16,190
Instructors	20,900	-	-	20,900	-	(900)	20,000
Insurance-Liability/D&O	3,434	2,717	2,100	8,251	1,391	1,228	10,870
Interest expense - all including F&M note; loan origination fee; toshiba	12,837	10,592	11,968	35,397	3,602	5,134	44,133
Local Travel/Mileage	1,248	1,320	2,959	5,527	808	980	7,315
Marketing	144	41	42	227	97	20	344
Office Equipment Lease	2,500	1,753	2,711	6,964	591	1,543	9,098
Office Supplies/Printing	8,558	6,759	4,807	20,124	581	2,155	22,860
Other	398	5,065	158	5,621	39	-	5,660
Personnel/Taxes/Benefits	485,593	434,801	493,394	1,413,788	82,693	222,996	1,719,477
Postage	859	692	654	2,205	178	276	2,659
Program Materials (inc. print)	11,373	13,438	13,869	38,680	532	1,704	40,916
Property Taxes/Business Taxes	620	469	470	1,559	(35)	225	1,749
Recognition	1,026	16,421	782	18,229	11,676	1,905	31,810
Scholarships	-	98,525	-	98,525	-	-	98,525
Subcontractor	-	14,580	-	14,580	-	-	14,580
Telephone	4,562	3,860	4,098	12,520	1,028	1,448	14,996
Utilities	6,873	5,840	5,324	18,037	1,397	2,177	21,611
Total functional expenses	\$ 660,571	\$ 692,597	\$ 613,780	\$ 1,966,948	\$ 145,214	\$ 426,629	\$ 2,538,791

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)
Statement of Functional Expenses
Year ended December 31, 2022

	Program Services				Support Services		
	Juvenile Crime Prevention	Academic and Career Development	Health Education	Total Program Services	Management and General	Fund Development	Total Expenditures
Association Fees 1605 E 17th	\$ 5,138	\$ 3,834	\$ 3,758	\$ 12,730	\$ 767	\$ 1,840	\$ 15,337
Audit/Accounting Fees	8,640	5,992	5,952	20,584	1,240	2,976	24,800
Bank Fees	152	61	87	300	6,753	8,195	15,248
Building Repairs/Maintenance	11,121	8,304	8,118	27,543	2,408	3,980	33,931
Computer Maintenance/Purchases/software	9,943	4,128	5,200	19,271	2,431	2,638	24,340
Conf/Travel/Training	132	436	100	668	3,126	248	4,042
Consultants	5,939	3,921	4,070	13,930	867	54,814	69,611
Court Fees	2,658	-	-	2,658	-	-	2,658
Depreciation expense	15,803	11,326	20,427	47,556	4,420	11,887	63,863
Director Expense	1,811	1,767	2,505	6,083	6,877	3,086	16,046
FR Event Expense	-	-	-	-	-	171,758	171,758
Incentives	50	1,134	1,583	2,767	-	-	2,767
Instructors	15,175	-	-	15,175	-	-	15,175
Insurance-Liability/D&O	3,499	2,321	2,316	8,136	953	909	9,998
Interest expense - all including F&M note; loan origination fee; toshiba	12,428	14,096	15,782	42,306	4,336	7,347	53,989
Local Travel/Mileage	1,111	562	2,126	3,799	1,476	779	6,054
Marketing	29,342	21,580	21,259	72,181	923	27,111	100,215
Office Equipment Lease	1,680	1,914	1,933	5,527	116	1,728	7,371
Office Supplies/Printing	4,735	3,424	3,432	11,591	1,506	2,392	15,489
Personnel/Taxes/Benefits	511,304	310,896	361,170	1,183,370	105,688	202,012	1,491,070
Postage	951	737	690	2,378	144	372	2,894
Program Materials (including print)	4,393	8,586	12,248	25,227	748	1,499	27,474
Property Taxes/Business Taxes	810	526	567	1,903	138	275	2,316
Recognition	-	11,770	-	11,770	13,634	-	25,404
Scholarships	-	80,725	-	80,725	-	-	80,725
Telephone	6,056	4,191	4,343	14,590	748	1,795	17,133
Utilities	6,672	5,051	4,927	16,650	1,003	2,407	20,060
Total functional expenses	\$ 659,543	\$ 507,282	\$ 482,593	\$ 1,649,418	\$ 160,302	\$ 510,048	\$ 2,319,768

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Statements of Cash Flows

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (272,797)	\$ 47,797
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	59,278	63,863
Net loss on disposition of property and equipment	-	2,989
Interest on loan origination costs	12,448	12,448
Government grant income - Paycheck Protection Program	-	(191,235)
Change in operating assets and liabilities:		
Inventory	1,773	(1,556)
Grants receivables	(27,593)	13,155
Tax credit receivable	-	206,147
Prepaid expenses	9,551	6,007
Campaign pledges receivable-unrestricted	110,238	32,738
Accounts payable	9,432	(28,864)
Accrued expenses	(26,783)	(8,007)
Deferred revenue	(14,370)	(17,595)
Net cash (used in) provided by operating activities	<u>(138,823)</u>	<u>137,887</u>
Cash flows from investing activities:		
Sale (purchase) of investments	9,691	(541,373)
Purchase of equipment	(12,540)	(5,935)
Net cash used in investing activities	<u>(2,849)</u>	<u>(547,308)</u>
Cash flows from financing activity:		
Decrease in restricted campaign pledges	16,412	16,412
Payments on notes payable	(52,439)	(50,517)
Payments on capital lease obligation	(8,240)	(13,468)
Net cash used in financing activities	<u>(44,267)</u>	<u>(47,573)</u>
Decrease in cash and cash equivalents	(185,939)	(456,994)
Cash and cash equivalents at beginning of year	<u>343,073</u>	<u>800,067</u>
Cash and cash equivalents at end of year	<u>\$ 157,134</u>	<u>\$ 343,073</u>
Supplemental information:		
Cash paid for interest	<u>\$ 44,134</u>	<u>\$ 53,989</u>

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Notes To Financial Statement
December 31, 2023 and 2022

Note A – Organization and Programs

The Orange County Bar Foundation, dba Project Youth OC ("PY OC"), a California nonprofit organization, provides health education & diversion programs & services for at-risk youth and their families. PY OC provides juveniles and their families with the necessary skills to deter delinquent activity, set goals and to plan for positive and productive lives free of crime. PY OC is funded primarily through grants from the State of California Department of Health Care Services; the City of Santa Ana, CalMental Health Services Agency and the Jeffrey Carlton Foundation. PY OC has three large fundraising events – Food and Wine Society, participation in the OC Marathon, and an annual golf tournament. In addition, PY OC has one individual giving program – Society of Fellows.

PY OC provided the following programs during 2023 and 2022:

- *Juvenile Crime Prevention and Substance Abuse Intervention Services:*

SHORTSTOP – is a juvenile crime diversion program that was developed in 1980 for youthful offenders and their families. Juvenile offenders and their parents participate in several sessions held at night in a courtroom where the "legal facts of life" are dramatically presented by volunteer attorneys, other legal professionals, and wards of the Youth Guidance Center.

PROGRAMA SHORTSTOP – was developed in 1989 as a Spanish language adaptation, based on the original Shortstop model which includes: the consequences of criminal behavior, accountability of one's actions, improving family communication, creating positive future planning, and engaging in positive decision-making. The program also offers monolingual Latino parents additional information on educational motivation, drug/alcohol-education, and gang awareness.

STOP SHORT of Addiction – was developed in 1999 in response to the rising specter of youthful drug crime and drug abuse in Orange County. It is an intensive program designed to specifically address the needs of first-time juvenile offenders arrested for criminal offenses, as well as those having drug abuse problems, and is available in English and Spanish.

- *Academic Development:*

The Higher Education Mentoring Program – is a unique program which targets Latino high school juniors and seniors from the city of Santa Ana who are interested in entering college, but need assistance due to academics, cultural and gender barriers and limited financial resources. The program offers continued support to students through college, including financial aid assistance, leadership and volunteer opportunities, resume guidance and employment. Program graduates are given the opportunity to return as mentors.

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Notes To Financial Statement
December 31, 2023 and 2022

Note A – Organization and Programs (continued)

- *Career Development :*
Project SELF (Summer Employment in Law Firms) – partners with the Orange County Association of Legal Administrators. The program allows selected students from Santa Ana Unified School District to participate in an eight-week summer paid internship at local law firms and businesses that support the legal community.

- *Health Education:*
Madres Unidas – provides health education groups with risk reduction services to Latina mothers combined with family counseling to improve family function. All services are provided in a culturally and bilingually competent manner. Components include: ethnic and gender pride, substance abuse education, HIV/AIDS health education, risk reduction, assertiveness skills training, coping skills, support group sessions, referrals for free HIV/AIDS testing, behavioral self-management and counseling services.

Youth Making Proud Choices and YMPC – provides comprehensive sexual health education for Latino youth via evidence-based program models. This culturally based program focuses on “taking care of oneself and one’s partner, family, and community.” This is accomplished by working with youth to develop the knowledge, attitudes, and skills needed to reduce their risk of unplanned pregnancy, STDs, and AIDS/HIV.

- *Independence, Competence, and Aptitudes, Now!:*
ICAN! works with eligible high school students and young adults seeking alternatives to traditional college education. Students identify their vocational interest and complete career training at a technical institute, or community college vocational program. Focus is placed on career training programs that offer hands-on experience and certification that will lead to well-paying jobs with long term growth and viability.

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Notes To Financial Statement
December 31, 2023 and 2022

Note B – Summary of Significant Accounting Policies

(1) Basis of Accounting

The financial statements of PY OC are prepared on the accrual basis of accounting.

(2) Classification of Net Assets

PY OC reports information regarding the financial position and activities in two classes of net assets – without donor restrictions and with donor restrictions – based upon the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – These are not subject to donor-imposed restrictions. Net assets without donor restrictions generally result from unrestricted contributions, interest, and dividends less expenses incurred in providing services, fundraising, and other administrative expenses.

Net Assets With Donor Restrictions - Net Assets with donor restrictions include net assets that are subject to donor- imposed restrictions that will be met by the passage of time or those maintained in perpetuity.

(3) Grants Receivable

Grant receivables consist of amounts due from the State of California Department of Health Care Services for YMPC; the City of Santa Ana for Diversion Programs; and California Mental Health Services Authority (CalMHSA), which benefits all programs. The amounts due were either confirmed directly by the agency or collected prior to the issuance of the financial statements. PY OC does not have a reserve for uncollectible accounts.

(4) Inventory

Inventory is stated at the lower of cost or net realizable value and consists of wine to be used in upcoming fundraising events.

(5) Income Taxes

PY OC is a California nonprofit corporation, and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and California income tax under Section 23701d of the California Revenue and Taxation Code. No income expense has been recorded as the net income.

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Notes To Financial Statement

December 31, 2023 and 2022

Note B – Summary of Significant Accounting Policies (continued)

(6) Donated Services and Goods

A number of individuals and entities have contributed significant amounts of their time and/or donated services to PY OC. PY OC recognizes donated services when they create or enhance a non-financial asset. The value of the services is based on average cost of similar services.

(7) Property and Equipment

Property and equipment are carried at cost, net of accumulated depreciation and amortization. Purchased property and equipment more than \$5,000 are capitalized. Donated items are capitalized at estimated fair value at the date of contribution. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the assets, which range from 5 -50 years. Assets held under finance leases are depreciated over the expected life on the same basis as owned assets.

(8) Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as restricted support that increases net asset with donor restrictions.

(9) Use of Estimates

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

(10) Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and employee benefits are allocated based on estimated of time and effort. Other natural expenses categories are charges to the functional expense category on an invoice basis based on the nature of the expense.

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Notes To Financial Statement

December 31, 2023 and 2022

Note B – Summary of Significant Accounting Policies (continued)

(11) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three months or less at the time of purchase, except for cash equivalents maintained for long term purposes. PY OC maintains individual bank accounts with banks that are members of the Federal Deposit Insurance Corporation ("FDIC"). All accounts are insured by the FDIC, up to \$250,000.

(12) Investments

Investments are reported at fair value and made according to the investment objective and policies adopted by PY OC's Board. These guidelines provide for investments in equities, fixed-income, limited partnership and other securities with performance measured against appropriate indices. PY OC contracts with outside investment managers to provide investment management and services.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

All investments securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

(13) Recently Adopted Accounting Pronouncements

On January 1, 2023, PY OC adopted Accounting Standards Update ("ASU") 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASC 326"). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Notes To Financial Statement

December 31, 2023 and 2022

Note B – Summary of Significant Accounting Policies (continued)

(13) Recently Adopted Accounting Pronouncements (continued)

PY OC adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023 using the modified retrospective approach for all financial assets measured at amortized cost. There was no adjustment required as a result of the adoption of CECL.

Note C – Grants Receivable

Grants receivable totaled \$189,031 and \$161,438 for the year ended December 31, 2023 and 2022, respectively. Based on the strength of the donors' reputations, payment history, and signed agreements, management believes that an allowance for uncollectible amounts is not necessary. All grant receivables are expected to be received less than one year.

Note D – Campaign Pledges Receivable

In 2019, PY OC launched Elevate Educate Empower, a major comprehensive campaign effort with a goal of securing \$5,000,000 in public and private support that will be invested in three specific areas:

- Program Growth – to expand programs, create program efficacy and improve and track outcomes.
- Scholarship Endowment – to provide scholarships to help students. PY OC annual goal is to offer \$120,00 in scholarships.
- Eliminating Mortgage – to eliminate the mortgage balance of \$1,700,000.

Campaign pledges are expected to be received as follow at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Campaign pledges:		
Programs	\$ 574,200	\$ 471,700
Scholarships	382,227	362,227
Mortgage paydown	509,312	616,812
Less: pledges collected during the year	<u>(1,259,989)</u>	<u>(1,118,339)</u>
	205,750	332,400
Less: discount to reflect at present value	<u>(24,638)</u>	<u>(24,638)</u>
Total campaign pledges, net	181,112	307,762
Less: current portion of campaign pledges	<u>(103,650)</u>	<u>(155,754)</u>
Long-term portion of campaign pledges	<u>\$ 77,462</u>	<u>\$ 152,008</u>

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Notes To Financial Statement
December 31, 2023 and 2022

Note D – Campaign Pledges Receivable (continued)

Scheduled payments are as follows:

2024	\$	41,921
2025		12,636
2026		12,280
2027		11,934
2028		11,597
Thereafter		115,382
		<hr/>
Total	\$	205,750
		<hr/> <hr/>

Note E – Property and Equipment, Net

Property and equipment are summarized as follows as of December 31, 2023 and 2022:

	2023	2022
Building and improvements	\$ 2,109,747	\$ 2,109,747
Furnitures and fixtures	56,509	56,509
Computers and software	62,868	50,328
Property and equipment, gross	<hr/> 2,229,124	<hr/> 2,216,584
Less accumulated depreciation	(370,271)	(328,326)
Property and equipment, net	<hr/> \$ 1,858,853	<hr/> \$ 1,888,258
	<hr/> <hr/>	<hr/> <hr/>

Depreciation expense totaled \$59,278 and \$63,863 for the years ended December 31, 2023 and 2022, respectively.

Note F – Net Assets with Donor Restrictions

Net assets with donor restrictions consists of the following:

Subject to expenditure for specified purpose:

The Green Foundation	\$	10,000
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Subject to OCBF spending policy and appropriation:

Capital Campaign for Building Payoff (Net of Discount)	52,150
Capital Campaign for Scholarships Payoff (Net of Discount)	347,927
	<hr/>

Total net assets with donor restrictions	\$	410,077
		<hr/> <hr/>

Net assets were released from donor restrictions by occurrence of events or passage of time specified by donors.

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)Notes To Financial Statement
December 31, 2023 and 2022**Note G – Liquidity and Availability**

Financial assets available within one year for general expenditures including operating expenses and grant disbursements at December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 157,134	\$ 343,073
Investments	1,466,262	1,475,953
Grants receivable	189,031	161,438
Less amount not available for expenditures:		
Donor - restricted	(410,077)	(467,910)
Total financial assets available for expenditure	<u>\$ 1,402,350</u>	<u>\$ 1,512,554</u>

Note H – Notes Payable

On February 1, 2017, PY OC entered into a loan \$1,700,000 agreement with Farmers & Merchant. The loan accrues interest of 3.04% for the first 5 years than converts to a fixed annual rate of U.S Treasury note rate plus 1.25%, but not less than 3%. The loan matures on February 1, 2027. The loan balance as of December 31, 2023 and 2022 was \$834,877 and \$887,316, respectively.

The following is a summary of all notes payable as of December 31:

	2023	2022
Note payable due	\$ 834,877	\$ 887,316
Less: unamortized loan origination costs	(38,882)	(51,330)
	795,995	835,986
Less: current maturities	(33,233)	(31,805)
Long-term portion of long-term debt	<u>\$ 762,762</u>	<u>\$ 804,181</u>

Scheduled principal payments are due as follows:

2024	\$ 33,233
2025	36,802
2026	37,954
2027	<u>726,888</u>
Total	<u>\$ 834,877</u>

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Notes To Financial Statement
December 31, 2023 and 2022

Note I – Obligation Under Finance Lease

In April 2022, PY OC entered a finance lease for office equipment with terms expiring in June 2027. PY OC uses the implicit interest rate in determining the present value of lease payments. Finance lease expense is recognized on a straight-line basis over the lease term.

Information related to finance lease presents on the financial position was as follows:

	2023	2022
Finance lease right-of-use assets	\$ 34,667	52,000
Current portion of finance lease liability	9,308	8,240
Finance lease liability, net of current portion	28,899	38,207
Total finance lease liabilities	\$ 38,207	\$ 46,447
Weighted average remaining lease term in years	3.5	4.5
Weighted-average discount rate	12.25%	12.25%

Obligations under finance lease for the year ended December 31, 2023 and December 31, 2022 totaled \$13,467 and \$10,101, respectively.

Future obligations for finance leases as of December 31, 2023 are as follows:

2024	\$ 13,478
2025	13,478
2026	13,478
2027	6,739
Total lease payments	47,173
Less interest	(8,966)
Total operating lease liabilities	\$ 38,207

Note J – Employee Benefits Plan

Employees of PY OC participate in the Orange County Bar Foundation 403(b)(7) Retirement Plan, a defined contribution plan qualified under section 403(b) of the Internal Revenue Code. Each covered employee can contribute elective deferrals to the plan, up to the maximum allowed by the Internal Revenue Code. Additionally, PY OC may, at its discretion, match employee contributions. The 403(b) matching contribution cost recognized by PY OC for 2023 and 2022 was \$49,704 and \$48,532, respectively.

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Notes To Financial Statement

December 31, 2023 and 2022

Note K – Jeffery M. Carlton foundation Gift

In 2013, PY OC was the recipient of an annual donation from the Jeffrey M. Carlton Foundation established. PY OC is one of three designated beneficiaries of the net income and principal of the Jeffrey Carlton Foundation managed by the Wilmington Trust Company. PY OC can receive up to one third of 5% of the account balance or an amount the Trustee deems appropriate, annually, until there is full distribution of the Trust. PY OC received \$826,000 and \$922,823 in 2023 and 2022, respectively. There are no restrictions imposed on the gift.

Note L – Related-Parties

PY OC campaign pledges receivable are pledges made by current and former PY OC Board, Associate Board of Directors, and other community donors. These funds have been restricted by the Donors to be used to carry out the campaign goals as described in Note D.

Note M – Fair Value Measurements

In accordance with FASB ASC Topic 820, Fair Value Measurement, fair value is defined as the price that PY OC would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset. FASB ASC Topic 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

- Level 1 - Quoted prices in active markets for identical assets
- Level 2 - Other significant observable inputs (including quoted prices for similar assets, interest rates, prepayment speeds, and credit risk)
- Level 3 - Significant unobservable inputs (including PY OC own assumptions in determining the fair value of assets)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The carrying values of cash, receivables, and payables approximate fair values as of December 31, 2023, due to the relative short maturities of these instruments.

ORANGE COUNTY BAR FOUNDATION (dba PROJECT YOUTH OC)

Notes To Financial Statement

December 31, 2023 and 2022

Note N – Investments

Investments consist of stocks and mutual funds and are presented in the financial statements at fair value based on quoted market prices in active markets.

The following table sets forth estimated fair values, of PY OC's investments measured and recorded on a recurring basis at December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 546,270	\$ -	\$ -	\$ 546,270
Stocks	382,525	-	-	382,525
Mutual funds	537,467	-	-	537,467
Investments at fair value	<u>\$ 1,466,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,466,262</u>

The following table sets forth estimated fair values, of PY OC's investments measured and recorded on a recurring basis at December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 471,049	\$ -	\$ -	\$ 471,049
Stocks	384,308	-	-	384,308
Mutual funds	620,596	-	-	620,596
Investments at fair value	<u>\$ 1,475,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,475,953</u>

Note O – Subsequent Events

PY OC evaluated events or transactions that occurred subsequent to the balance sheet date through July 25, 2024, the date the accompanying financial statements were available to be issued.



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

To the Board of Directors:

Orange County Bar Foundation, dba Project Youth OC

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 Orange County Bar Foundation, dba Project Youth OC, (PY OC), which comprise the statement of financial position as of December 31, 2023 and the related statement of activities, statement of functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PY OC'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 PY OC's internal control. Accordingly, we do not express an opinion on the effectiveness of PY OC'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 the 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PY OC'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 determination of financial statement amounts. 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 PY OC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PY OC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cambaliza McGee LLP". The signature is written in a cursive, flowing style.

Cambaliza McGee LLP
Newport Beach, California
July 25, 2024