

**Palos Verdes Beach and Athletic Club**  
**Audited Financial Statements**  
*As of and for the Years Ended June 30, 2021 and 2020*  
*with Independent Auditor's Report*



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Palos Verdes Beach and Athletic Club  
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## Independent Auditor's Report

**To the Board of Directors of  
Palos Verdes Beach and Athletic Club**

### Opinion

We have audited the financial statements of Palos Verdes Beach and Athletic Club (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of Palos Verdes Beach and Athletic Club as of June 30, 2021, 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 (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 Palos Verdes Beach and Athletic Club 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 Palos Verdes Beach and Athletic Club's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



## **Other Matter**

The financial statements of the Palos Verdes Beach and Athletic Club, as of and for the year ended June 30, 2020, were audited by other auditors, whose report, dated August 9, 2021, expressed an unmodified opinion on those statements.

## **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 GAAS 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 GAAS, 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 Palos Verdes Beach and Athletic Club'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 Palos Verdes Beach and Athletic Club'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.

**Glendale, California  
November 27, 2023**

**Palos Verdes Beach and Athletic Club**  
**Statements of Financial Position**  
**June 30, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
<b>Current:</b>		
Cash and cash equivalents	\$ 477,269	\$ 476,194
Investments	1,281,112	1,114,646
Accounts and membership fees receivable	27,029	34,710
Interest receivable	4,806	4,385
Prepaid costs	101,987	56,428
Total Current Assets	1,892,203	1,686,363
<b>Noncurrent:</b>		
Property improvements and equipment, net	1,108,687	1,196,199
Total Noncurrent Assets	1,108,687	1,196,199
Total Assets	\$ 3,000,890	\$ 2,882,562
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
<b>Current:</b>		
Accounts payable and accrued expenses	\$ 99,474	\$ 80,752
Waiting list deposits	262,000	279,300
Unearned revenue	10,535	18,060
Other deposits	62,760	56,051
Total Current Liabilities	434,769	434,163
Total Liabilities	434,769	434,163
 <b>Net Assets</b>		
<b>Without donor restrictions</b>	2,566,121	2,448,399
Total Net Assets	2,566,121	2,448,399
Total Liabilities and Net Assets	\$ 3,000,890	\$ 2,882,562

*See notes to financial statements.*

**Palos Verdes Beach and Athletic Club**  
**Statements of Activities**  
For the years ended June 30, 2021 and 2020

	2021	2020
<b>Revenues</b>		
Program Service Revenues:		
Dues and membership fees	\$ 1,671,629	\$ 1,640,600
Initiation membership fees	362,500	89,100
Guest fees	33,388	81,666
Special events	11,668	12,834
Sales of merchandise	3,027	3,616
Program fees	2,503	56,431
Locker and facilities rental	13,430	20,029
Investment income	15,957	45,868
Other	80,504	68,397
Total Revenues	2,194,606	2,018,541
<b>Expenses</b>		
Program Services:		
Pool and fitness activities	1,732,475	1,679,426
Supporting Services:		
Management and administrative	344,409	348,605
Total Expenses	2,076,884	2,028,031
Changes in Net Assets	117,722	(9,490)
<b>Net Assets</b>		
Net Assets, beginning	2,448,399	2,457,889
<b>Net Assets, ending</b>	\$ 2,566,121	\$ 2,448,399

*See notes to financial statements.*

**Palos Verdes Beach and Athletic Club**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2021**

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	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Pool and Fitness Activities</u>	<u>Management and Administrative</u>	<u>Total Expenses</u>
Expenses:			
Labor and fringe benefits	\$ 1,215,299	\$ -	\$ 1,215,299
Concession fee	-	183,438	183,438
Facility and pool repairs maintenance	169,966	-	169,966
Utilities	149,803	-	149,803
Depreciation	87,512	-	87,512
Insurance	-	80,029	80,029
Facility cleaning services	78,367	-	78,367
General and administrative	-	49,014	49,014
Professional services	-	31,928	31,928
Programs	28,809	-	28,809
Merchandise	2,247	-	2,247
Other	472	-	472
<b>Total Expenses</b>	<u>\$ 1,732,475</u>	<u>\$ 344,409</u>	<u>\$ 2,076,884</u>

*See notes to financial statements.*

**Palos Verdes Beach and Athletic Club**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2020**

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	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total Expenses</b>
	<b>Pool and Fitness Activities</b>	<b>Management and Administrative</b>		
Expenses:				
Labor and fringe benefits	\$ 1,190,309	\$ -	\$	1,190,309
Concession fee	-	188,082		188,082
Facility and pool repairs maintenance	165,618	-		165,618
Utilities	127,888	-		127,888
Depreciation	89,543	-		89,543
Insurance	-	73,544		73,544
Facility cleaning services	63,774	-		63,774
General and administrative	-	53,661		53,661
Programs	39,367	-		39,367
Professional services	-	33,318		33,318
Merchandise	1,823	-		1,823
Other	1,104	-		1,104
<b>Total Expenses</b>	<b>\$ 1,679,426</b>	<b>\$ 348,605</b>	<b>\$</b>	<b>2,028,031</b>

*See notes to financial statements.*

**Palos Verdes Beach and Athletic Club**  
**Statements of Cash Flows**  
**For the years ended June 30, 2021 and 2020**

	2021	2020
<b>Cash Flows from Operating Activities</b>		
<b>Changes in Net Assets</b>	<b>\$ 117,722</b>	<b>\$ (9,490)</b>
<b>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</b>		
Depreciation	87,512	89,543
Change in operating assets and liabilities:		
(Increase) decrease in		
Accounts and membership fees receivable	7,681	(4,293)
Interest receivable	(421)	113
Prepaid costs	(45,559)	12,311
Increase (decrease)		
Accounts payable and accrued expenses	18,722	(35,488)
Waiting list deposits	(17,300)	12,000
Unearned revenue	(7,525)	6,020
Other deposits	6,709	(5,665)
Total Adjustments	49,819	74,541
Net cash provided by operating activities	167,541	65,051
<b>Cash Flows from Investing Activity:</b>		
Proceeds (purchases) of investment	(166,466)	47,703
Cash provided by (used in) investing activity	(166,466)	47,703
Net change in cash and cash equivalents	1,075	112,754
Cash and cash equivalents at beginning of year	476,194	363,440
<b>Cash and cash equivalents at end of year</b>	<b>\$ 477,269</b>	<b>\$ 476,194</b>

*See notes to financial statements.*

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature and Membership of Club**

The Palos Verdes Beach and Athletic Club (the Club) is a nonprofit mutual benefit corporation organized under the California Nonprofit Mutual Benefit Corporation law. The Club offers its members full access to the Club's pool and athletic facilities. There are two categories of memberships: resalable memberships and nonresalable memberships. All members are entitled to vote on the election of the Board of Directors, the disposition of assets of the Club, and any merger or election to dissolve the Club.

**Basis of Accounting and Presentation**

The financial statements of the Club have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). References to the Accounting Standards Codification (ASC) hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Club considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

**Investments/Investment Income**

Investments are stated at fair value. Fees charged by the broker are netted against income earned by the investments held by the broker.

**Property Improvements and Equipment**

Property and equipment are reported in statements of financial position at cost, if purchased, or at fair value at the date of donation, if donated. Property and equipment are capitalized if it has a cost of \$1,000 or more. Depreciation and amortization of property and equipment are computed using a straight-line method based on the average useful life of the asset. The estimated useful lives of the assets are as follows:

Property improvements	39.5 years
Furniture, fitness, and pool equipment	10 years
Office and other equipment	7 years
Vehicles	5 years

**Membership Dues, Initiation Fees, and Wait List Deposits**

Membership dues are recognized as revenue in the applicable membership period. Any unearned amounts are included in unearned revenue at the end of each accounting period. Initiation fees are recorded as revenue in the period when the fees are due.

Deposits received for inclusion on the wait list are recorded as a liability, and revenue is not recognized until the future member is offered and has accepted full membership.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

Accordingly, the accounts of the Club are reported in the following net asset categories:

*Net Assets with Donor Restrictions* - Net assets of the Club that are subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

*Net Assets without Donor Restrictions* - Net assets of the Club that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

*Board-Designated Net Assets* - Net assets without donor restrictions subject to self-imposed limits by action of the Club's Board of Directors. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

The Club had only net assets without donor restrictions at June 30, 2021 and 2020.

**Income Taxes**

The Club has tax-exempt status under the provisions of Section 501(c)(7) of the Internal Revenue Code. Accordingly, no provision for income taxes is required.

The Club has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations and jurisdictions for which it is connected, and to identify and evaluate other matters that may be considered tax positions. The Club has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Club's income tax returns remain subject to examination for all tax years ended on or after December 31, 2017 with regard to all tax positions and results reported.

**Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and enclosures. Accordingly, actual results could differ from those estimates.

**Functional Expenses**

The cost of providing the Club's programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied.

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncement (Not Yet Adopted)**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), with subsequent improvements and corrections. ASU 2016-02 amends a number of aspects of lease accounting, including requiring lessees to recognize on their balance sheet a right-of-use asset and a lease liability for all operating leases with a term of more than 12 months. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize the right-of-use asset and lease liability. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021; however, early adoption is permitted. The Club is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021; The Club is currently evaluating the impact of the provisions of ASU 2020-07 on the presentation of its financial statements.

**NOTE 2      LIQUIDITY**

The Club's financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of June 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Cash and equivalents	\$ <b>477,269</b>	\$ 476,194
Investments	<b>1,281,112</b>	1,114,646
Accounts and membership fee receivable	<b>27,029</b>	34,710
Interest receivable	<b>4,806</b>	4,385
Total Financial Assets Available to Meet General Expenditures within One Year	<b>\$ 1,790,216</b>	\$ 1,629,935

As part of the Club's liquidity management plan, the Club invests cash in excess of daily requirements in government agency bonds and certificates of deposits. Although the Club's intent is to hold these investments to maturity, these amounts could be made available if necessary.

**Palos Verdes Beach and Athletic Club**  
**Notes to Financial Statements**  
**For the years ended June 30, 2021 and 2020**

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**NOTE 3 CASH AND INVESTMENTS**

Cash consists of demand accounts that are mainly interest bearing. Total cash and investments at June 30, 2021 and 2020, are summarized as follows:

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ <b>477,269</b>	\$ 476,194
Investments:		
Government agency bonds	1,189,933	1,067,568
Certificates of deposits	91,179	47,078
Total investments	1,281,112	1,114,646
Total Cash and Investments	\$ 1,758,381	\$ 1,590,840

The bank balance of the Club's cash and deposits was \$514,946 at June 30, 2021. The Club has \$217,032 in deposits that are not covered by FDIC insurance. Outstanding checks and other reconciling items of \$37,677 must be subtracted from the bank balance to obtain the carrying balance of \$477,269.

The bank balance of the Club's cash and deposits was \$433,566 at June 30, 2020. The Club has \$134,233 in deposits that are not covered by FDIC insurance. Reconciling items of \$42,628 must be added to the bank balance to obtain the carrying balance of \$476,194.

**NOTE 4 FAIR VALUE MEASUREMENTS**

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, establishes 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Palos Verdes Beach and Athletic Club**  
**Notes to Financial Statements**  
**For the years ended June 30, 2021 and 2020**

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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following table sets forth by level, within the fair value hierarchy, the Club's investments at fair value as of June 30, 2021:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
Government agency bonds \$	1,189,933	\$ -	\$ 1,189,933	\$ -
Certificates of deposit	91,179	-	91,179	-
Total	<u>\$ 1,281,112</u>	<u>\$ -</u>	<u>\$ 1,281,112</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, the Club's investments at fair value as of June 30, 2020:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
Government agency bonds \$	1,067,568	\$ -	\$ 1,067,568	\$ -
Certificates of deposit	47,078	-	47,078	-
Total	<u>\$ 1,114,646</u>	<u>\$ -</u>	<u>\$ 1,114,646</u>	<u>\$ -</u>

**Palos Verdes Beach and Athletic Club**  
**Notes to Financial Statements**  
**For the years ended June 30, 2021 and 2020**

**NOTE 5      PROPERTY IMPROVEMENTS AND EQUIPMENT**

The Club's land and pool and any improvements to such are the property of the City of Palos Verdes Estates. The Club's interest in such assets is restricted to that of a tenant. The Club has recorded interest in the land and pool as property improvements.

Property improvements and equipment consist of the following at June 30, 2021:

	Beginning Balance	Increase	Decrease	Ending Balance
Property Improvements and Equipment:				
Property improvement	\$ 2,932,231	\$ -	\$ -	\$ 2,932,231
Furniture, fitness, and pool equipment	331,022	-	-	331,022
Office and other equipment	49,834	-	-	49,834
Vehicles	22,000	-	-	22,000
Total property improvements and equipment	<u>3,335,087</u>	<u>-</u>	<u>-</u>	<u>3,335,087</u>
Less: Accumulated depreciation				
Property improvement	1,828,239	74,205	-	1,902,444
Furniture, fitness, and pool equipment	239,664	13,137	-	252,801
Office and other equipment	48,985	170	-	49,155
Vehicles	22,000	-	-	22,000
Total accumulated depreciation	<u>2,138,888</u>	<u>87,512</u>	<u>-</u>	<u>2,226,400</u>
Total Property Improvements and Equipment, Net	<u>\$ 1,196,199</u>	<u>\$ (87,512)</u>	<u>\$ -</u>	<u>\$ 1,108,687</u>

Total depreciation expense recorded for the year ended June 30, 2021, was \$87,512.

Property improvements and equipment consist of the following at June 30, 2020:

	Beginning Balance	Increase	Decrease	Ending Balance
Property Improvements and Equipment:				
Property improvement	\$ 2,932,231	\$ -	\$ -	\$ 2,932,231
Furniture, fitness, and pool equipment	331,022	-	-	331,022
Office and other equipment	49,834	-	-	49,834
Vehicles	22,000	-	-	22,000
Total property improvements and equipment	<u>3,335,087</u>	<u>-</u>	<u>-</u>	<u>3,335,087</u>
Less: Accumulated depreciation				
Property improvement	1,754,034	74,205	-	1,828,239
Furniture, fitness, and pool equipment	224,859	14,805	-	239,664
Office and other equipment	48,815	170	-	48,985
Vehicles	21,637	363	-	22,000
Total accumulated depreciation	<u>2,049,345</u>	<u>89,543</u>	<u>-</u>	<u>2,138,888</u>
Total Property Improvements and Equipment, Net	<u>\$ 1,285,742</u>	<u>\$ (89,543)</u>	<u>\$ -</u>	<u>\$ 1,196,199</u>

Total depreciation expense recorded for the year ended June 30, 2020, was \$89,543.

**NOTE 6      SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 27, 2023, the date the financial statements were available to be issued, to assess the need for potential recognition or disclosure in the financial statements. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.



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