

GREY BEARS
(A California Nonprofit Corporation)
FINANCIAL STATEMENTS
JUNE 30, 2021

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(A California Nonprofit Corporation)
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TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	EXHIBIT A
Statement of Activities	EXHIBIT B
Statement of Functional Expenses	EXHIBIT C
Statement of Cash Flows	EXHIBIT D
Notes to Financial Statements	EXHIBIT E PAGES 1-12

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Grey Bears

We have audited the accompanying statements of Grey Bears (a California Nonprofit Corporation), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grey Bears 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.

A handwritten signature in blue ink, appearing to read "Walters & Kondrasheff".

Walters & Kondrasheff
Certified Public Accountants
Scotts Valley, California
January 11, 2022

**GREY BEARS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

Cash and Cash Equivalents	\$ 1,073,442
Accounts Receivable	98,023
Grants Receivable	93,284
CRV Fees Receivable	89,437
Inventory	40,368
Prepaid Expenses	918
Accrued Interest Receivable	1,457
Investments	2,513,776
Endowment Funds	157,918
Property and Equipment, Net	<u>3,351,537</u>
Total Assets	<u><u>7,420,160</u></u>

LIABILITIES

Accounts Payable	103,893
Deferred Payroll Taxes	43,645
Outstanding CRV Vouchers	51,959
Accrued Payroll and Benefits	128,969
Deferred Fees - Supporting Members	50,879
Notes Payable	<u>154,177</u>
Total Liabilities	<u><u>533,522</u></u>

NET ASSETS

Without Donor Restrictions	5,046,472
Without Donor Restrictions, Board Designated for Future Needs	1,725,141
With Donor Restrictions	<u>115,025</u>
Total Net Assets	<u><u>6,886,638</u></u>
Total Liabilities and Net Assets	<u><u>\$ 7,420,160</u></u>

**GREY BEARS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

CHANGES NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenues, Gains and Other Support, Without Donor Restrictions		
Support:		
In-Kind Revenue (Healthy Food for Seniors)		\$ 4,486,605
Donated Goods (Other)		765,223
Contributions		278,385
Government, Foundation, and Other Grants		1,345,707
Revenues:		
Recycling	\$ 606,659	
Computer Disposal	170,102	
Thrift and Computer/Appliance Shop Income	1,199,805	
Less: Cost of Goods	<u>(787,562)</u>	1,189,004
Ben Lomond Transfer Station CRV Fees		87,411
Rental Income		104,896
Fees - Supporting Members		91,088
Inkind Services		126,982
Gain on Sale of Equipment		17,900
Interest and Dividends		27,686
Realized Gain on Investment		43,085
Unrealized Loss on Investment		<u>194,251</u>
Net Assets Released From Restrictions:		
Restrictions Satisfied by Payments		<u>20,000</u>
Total Revenues, Gains, and Other Support, Without Donor Restrictions		<u>8,778,223</u>
Expenses:		
Program Services		
Healthy Food for Seniors		5,189,580
Buena Vista		259,090
Ben Lomond		244,397
Recycling		561,506
Thrift Store		426,452
e-Waste		262,036
Education		56,151
Supporting Services		
Management and General		403,837
Fundraising		96,527
Rental Expenses		<u>59,972</u>
Total Expenses		<u>7,559,545</u>
Increase in Net Assets Without Donor Restrictions		<u>1,218,678</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Additions to Net Assets With Donor Restrictions		-
Restrictions Satisfied by Payments		<u>(20,000)</u>
Decrease in Net Assets With Donor Restrictions		<u>(20,000)</u>
Total Increase in Net Assets		1,198,678
NET ASSETS AT BEGINNING OF YEAR		<u>5,687,960</u>
NET ASSETS AT END OF YEAR		<u>\$ 6,886,638</u>

See Accompanying Notes to Financial Statements.

GREY BEARS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES										Rental Expenses	Total
	Healthy Food For Seniors	Buena Vista	Ben Lomond	Recycling	Electronical Thrift Stores	e-Waste	Education	Program Services	Management & General	Fundraising		
Salaries and Wages	\$ 365,009	\$ 125,184	\$ 112,409	\$ 295,953	\$ 157,842	\$ 138,111	\$ 29,595	\$ 1,224,103	\$ 203,506	\$ 50,877	\$ -	\$ 1,478,486
Benefits	32,864	6,251	8,765	26,846	14,211	12,435	2,665	103,837	18,323	4,581	-	126,740
Payroll Taxes	28,374	11,003	11,240	23,006	12,270	10,736	2,301	98,929	15,819	3,955	-	118,703
	426,246	142,438	132,414	345,805	184,323	161,282	34,560	1,426,868	237,649	59,412	-	1,723,929
In-Kind Expenses	4,486,805	-	-	-	126,982	-	-	4,613,587	-	-	-	4,613,587
Program Supplies	85,015	451	2,108	68,931	36,763	32,168	6,893	232,328	47,399	11,650	47	291,624
Depreciation	25,783	602	24,880	20,905	11,150	9,756	2,091	94,967	14,375	3,594	40,610	153,546
Insurance	33,325	24,069	21,476	27,020	14,411	12,610	2,702	135,613	18,580	4,645	-	158,838
Utilities	31,199	-	-	25,297	13,492	11,805	2,530	84,322	17,395	4,349	-	106,066
Vehicle Expense	20,671	11,810	5,815	16,760	8,939	7,821	1,676	73,493	11,525	2,881	-	87,899
Finance & Bank Charges	23,529	437	369	19,078	10,175	8,903	1,908	64,399	13,119	3,280	-	80,797
Maintenance & Repair	14,491	11,955	15,854	11,749	6,266	5,483	1,175	66,974	8,079	2,020	10,258	87,331
Mileage and Travel	7,485	-	608	6,069	3,237	2,832	607	20,838	4,173	1,043	-	26,054
Community Programs	3,667	-	-	2,973	1,586	1,387	297	9,910	2,044	511	-	12,465
Postage & Freight	5,457	-	-	4,425	2,360	2,065	442	14,749	3,043	761	-	18,552
Accounting & Consulting	-	-	-	-	-	-	-	-	17,728	-	9,057	26,785
Office Supplies	6,462	-	-	5,239	2,794	2,445	524	17,465	3,603	901	-	21,968
Advertising & Promotion	2,209	-	380	1,791	955	836	179	6,350	1,232	308	-	7,890
Contract Labor	395	-	67	321	171	150	32	1,135	220	55	-	1,411
Telephone	1,454	-	660	1,179	629	550	118	4,590	811	203	-	5,603
Property Taxes	1,022	-	-	629	442	387	83	2,763	570	143	-	3,476
Dues & Subscriptions	1,365	-	272	1,106	590	516	111	3,960	761	190	-	4,911
Printing & Reproduction	2,448	-	-	1,985	1,058	926	198	6,615	1,365	341	-	8,321
Holiday Dinner	10,451	-	-	-	-	-	-	10,451	-	-	-	10,451
Revenue Sharing - Santa Cruz	-	67,328	39,694	-	-	-	-	107,022	-	-	-	107,022
Staff Development	300	-	-	243	130	114	24	811	167	42	-	1,020
Total Expenses	\$ 5,189,580	\$ 259,090	\$ 244,397	\$ 561,506	\$ 426,452	\$ 262,036	\$ 56,151	\$ 6,995,210	\$ 403,837	\$ 96,527	\$ 59,972	\$ 7,559,545

**GREY BEARS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	\$ 1,198,678
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	153,546
Unrealized Losses on Investments	(194,251)
Realized Gains on Sale of Investments	(43,085)
Fees, Endowment Fund	2,445
Fees, Investments	6,248
Gain on Sale of Equipment	(2,000)
Capitalized Inventory - In-kind	(7,314)
Debt Converted to Grant	(250,272)
(Increase) Decrease in:	
Accounts Receivable	6,192
Grants Receivable	16,147
CRV Fees Receivable	(46,391)
Accrued Interest Receivable	(1,457)
Prepaid Expenses	20,580
Increase (Decrease) in:	
Accounts Payable	47,792
CRV Redemption Payable	14,951
Accrued Payroll and Benefits	41,173
Deferred Payroll Taxes	43,645
Accrued interest	4,177
Deferred Fees - Supporting Members	6,982
Net Cash Provided by Operating Activities	<u>1,017,786</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net Purchases of Investments	(1,886,965)
Net Redemptions of Certificates of Deposit	255,790
Purchase of Property and Equipment	<u>(115,079)</u>
Net Cash Used by Investing Activities	<u>(1,746,254)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash Provided by Financing Activities	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(728,469)
Cash and Cash Equivalents, Beginning of Year	<u>1,801,911</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,073,442</u>

Supplemental Information	
INTEREST PAID	<u>\$ -</u>
TAXES PAID	<u>\$ -</u>

See Accompanying Notes to Financial Statements.

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

Grey Bears (“the Organization”) mission is to improve the health and well-being of seniors through food distribution, volunteerism, resource conservation and recycling. Founded in 1973 and incorporated in 1976, Grey Bears Healthy Food Program delivers weekly grocery bags of fresh produce and healthy staples to Santa Cruz County seniors (age 50+). They also conduct daily food distributions and serve 36,000 hot meals each year to seniors, volunteers, veterans, and individuals and families in need.

The Organization receives in-kind donations through its two recycling centers (7,500 tons of recycling materials including e-waste per year); thrift store, refurbished computer electronics store and bookstore (1000 tons of materials per year). Revenue from the sales of these donated materials, as well as from cash contributions, government grants, and participant dues is used to provide food for approximately 4,500 seniors throughout Santa Cruz County. Grey Bears also produces free annual luncheon events attended by hundreds of seniors.

Approximately 650 mostly senior volunteers donate more than 60,000 hours of service each year. Grey Bears programs require the participation of volunteers, and most volunteers participate in the food program, daily food distributions, and/or healthy hot meals, and experience the satisfaction of contributing to the well-being of others. To further keep seniors active and socially engaged, Grey Bears offers classes and activities including chair yoga, cooking, one-on-one tech instruction, Spanish, senior support groups, and repair cafés to help enrich the lives of seniors.

Grey Bears has a contract with the County of Santa Cruz to operate the drop-off recycling center at the Buena Vista Landfill. During the year ended June 30, 2020 the organization entered into a contract with the County of Santa Cruz to operate the recycling center at the County’s Ben Lomond Transfer Station (BLTS). In January, 2020 Santa Cruz County Public Works Department and the Board of Supervisors approved Grey Bears request to conduct California Redemption Value (CRV) beverage container recycling at Ben Lomond, which began in February, 2020. As part of the contract, the County agreed to waive the shared revenue provision for CRV recycling materials collected at BLTS.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Basis of Presentation:

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

The Organization's donor-restricted endowment funds are classified in net assets with donor restrictions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

At June 30, 2021 the Organization's net assets with donor restrictions included \$15,000 time restricted and \$100,025 restricted in perpetuity (see Note 5). Of the time restricted net assets, \$5,000 will be released each year for years 2022 through 2024.

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Estimates:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reports amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Contributions with and without Donor Restrictions:

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

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Promises to Give:

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Accounts Receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Accounts Receivable (continued):

accounts receivable. As of June 30, 2021, there is no valuation allowance as management expects to collect all receivables.

Inventory – In-Kind Donations:

The Organization receives in-kind donations of food, recycling products, thrift store and equipment items. These items are recorded at fair market value when received. Equipment items are recorded in the financial statements based on the fair market value. In-kind donations of food for the Healthy Food for Seniors Program are valued at \$1.74 per pound, based on an annual cost study conducted for Feeding America and is reported on the Statement of Activities as income and related expense.

Inventory consists of clothes and other “discarded treasures” received as donations for the thrift store and is valued at one third of estimated thrift store sales value. In addition, inventory includes computers and other appliances valued at one tenth of estimated thrift store sales value.

Donated Services:

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that contribute significantly to the Organization’s goals and objectives. During the fiscal year the Organization received in-kind TV, electronics, and appliance repair services estimated by management to have a value of \$126,982.

Functional Expense Allocation:

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding rental expenses, in-kind expenses and bad debt expenses, are allocated 16.4% to Management and General, 4.1% to Fundraising and 79.5% to Program Services based on management’s best estimates of time and effort, developed using historical data. Rental expenses, in-

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Functional Expense Allocation (continued):

kind expenses and bad debt expenses are not allocated, they are only charged directly to the program that they are associated with. Among the programs, expenses that are charged to Buena Vista and Ben Lomond are direct expenses only. The remaining program expenses are charged to the programs based on square footage of space used and the payroll for the programs at the Chanticleer location as follows:

Healthy Food for Seniors	37%
Recycling	30%
Electronic & Thrift Store	16%
E-Waste	14%
Education/Online Books	3%
	<u>100%</u>

Income Taxes:

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The Organization has implemented the new accounting standards associated with uncertainty in income taxes. Accordingly, the Organization shall initially recognize the financial statement effects of a tax position when it is more-likely-than-not, based on the technical merits, that the position will be sustained upon examination. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

For the federal tax jurisdiction, tax years for 2017 through 2020 remain open and could be subject to examination. For the state tax jurisdiction, the tax years for 2016 through 2020 remain open and could be subject to examination.

The Organization was formerly subject to Unrelated Business Income Tax on rental property income. The Organization has the following net operating loss deduction carryovers available to offset future years' taxable income:

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Income Taxes (continued):

Federal Carryover	State Carryover	Expiring Year
\$ 7,709	\$ 37,657	2028
42,425	106,304	2029
100,558	70,460	2030
-	31,691	2031
-	21,516	2033
\$ 150,692	\$ 267,628	

NOTE 2 - CONCENTRATION OF CREDIT RISK FOR CASH HELD AT BANKS AND INVESTMENTS:

Deposits with banks and certain financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to an aggregate balance of \$250,000. At times the Organization may hold deposits in excess of federally insured limits. At June 30, 2021, the organization held \$623,927 in uninsured deposits.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that it has mitigated this risk through diversification of its invested assets.

NOTE 3 - ADVERTISING:

Advertising costs are expenses as incurred. Advertising expense for the year ended June 30, 2021 was \$7,890.

NOTE 4 - PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost or fair value at date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Such useful lives range from three to thirty-five years.

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 - PROPERTY AND EQUIPMENT (continued):

As of June 30, 2021, Property and Equipment consist of the following:

Land	\$ 1,565,344
Building & Improvements	3,073,295
Equipment	736,908
Trucks/Vehicles	<u>232,251</u>
	5,607,798
Less: Accumulated Depreciation	(2,256,261)
Net Property and Equipment	<u>\$ 3,351,537</u>

NOTE 5 - NET ASSETS RESTRICTED BY DONOR IN PERPETUITY:

During the fiscal year ended June 30, 2006, a bequest in the amount of \$50,025 was received from the J. Kenneth F Marion Trust to be used to establish a perpetual fund, the income from which shall be used for the Organization's exempt purpose.

During the fiscal year ended June 30, 2011, a bequest in the amount of \$50,000 was received from the Robert J. Castagnola Revocable Living Trust to be used to establish a perpetual fund in the memory of Renee Castagnola, the income from which shall be used for the annual holiday dinner for senior citizens.

Total net assets, restricted by donor in perpetuity as of June 30, 2021 were \$100,025. These funds are held at the Community Foundation of Santa Cruz County. The fair market value of the endowment fund at June 30, 2021 was \$157,918.

NOTE 6 - PROPERTY LEASED TO OTHERS:

The Organization receives rental income from leases of real property. Future annual minimum rental income under these non-cancelable operating leases as of June 30, 2021, is as follows:

Years ending June 30:

2022	\$	144,156
2023		147,763
2024		151,455
2025		155,243
2026		<u>145,563</u>
Total		<u>\$ 744,180</u>

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - FAIR VALUE MEASUREMENTS:

The Organization has implemented the accounting standard regarding fair value measurements. The standard defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. The standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Investments consisting of common stocks, exchange traded funds and mutual funds are stated at fair value based on quoted prices in active markets (all Level 1 measurements). Investments consisting of corporate bonds and notes and government securities are stated at fair value based on independent quotations bureaus that use computerized valuation formulas to calculate current values (level 2 measurements).

Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 7 - FAIR VALUE MEASUREMENTS (continued):

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Exchange Traded Funds	1,196,122	1,196,122	-
Common Stock	937,457	937,457	-
Corporate Bonds and Notes	188,967	-	188,967
Mututal Funds	181,030	181,030	-
Government Securities	10,200	-	10,200
Total Investments	<u>2,513,776</u>	<u>2,314,609</u>	<u>199,167</u>

Level 3 Fair Value Measurements

The beneficial interests in assets held by community foundations are not actively traded and significant other observable inputs are not available. The following table provides further details of the Level 3 fair value measurements.

	Endowment <u>Funds</u>
Beginning Balance, July 1, 2020	\$ 128,114
Unrealized Gain	32,250
Fees	<u>(2,446)</u>
Ending Balance, June 30, 2021	<u>\$ 157,918</u>

NOTE 8 - DEFERRED FEES – SUPPORTING MEMBERS:

Supporting members of the Organization enjoy access to free and low cost classes and discounts from dozens of area stores and services. Additionally, those age 55 and over are entitled to receive a brown bag of groceries 48 weeks a year through the Organization’s Healthy Food for Seniors Program. Supporting members may renew for terms of one, two, or three years, or may opt for a lifetime membership.

Due to the increasing number of multi-year supporting members an estimate of deferred revenue became necessary. In calculating this estimate, it was determined by management based on available data that lifetime member fees would be recognized as revenue over a period of ten years.

Deferred Fees as of June 30, 2021 consisted of the following:

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8 - DEFERRED FEES – SUPPORTING MEMBERS (continued):

Deferred Fees – Lifetime	\$ 30,341
Deferred Fees – Term	<u>20,538</u>
Total Deferred Fees	<u>\$ 50,879</u>

Of the total deferred revenue amount, \$22,677 is to be recognized in the next fiscal year.

NOTE 9 - LIQUIDITY MANAGEMENT AND AVAILABILITY OF FINANCIAL ASSETS:

The Organization's financial assets available for general expenditures within one year of the balance sheet date include the following:

Cash & Cash Equivalents	\$ 1,073,442
Investments	2,513,776
Accounts Receivable	98,023
Grants Receivable	93,284
CRV Fees Receivable	89,437
Less: Time Restricted by Donor	(10,000)
Less: Board Designations	<u>(1,725,141)</u>
Financial Assets Available for Use	<u>\$ 2,132,821</u>

The Organization's endowment funds consist of donor restricted endowments. Income from donor restricted endowment is restricted for specific purposes (as described in Note 5) and therefore is not available for general expenditure.

As of June 30, 2021 the Organization held \$15,000 in donor restricted net assets to be expended at \$5,000 per year over the next 3 years, hence \$10,000 is not available for general expenditure in the year ending June 30, 2022.

Grey Bears has a goal to maintain financial assets on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$535,000. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9 - LIQUIDITY MANAGEMENT AND AVAILABILITY OF FINANCIAL ASSETS
(continued):

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the Statement of Cash Flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal year 2021.

NOTE 10 - ADOPTION OF NEW ACCOUNTING STANDARDS

On July 1, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. During 2021 all of the Organization's revenues came from contributions and grants, that are outside the scope of ASC 606 therefore the adoption had no effect on the financial statements for the year ended June 30, 2021. If the Organization enters into any contracts with customers that are deemed to be exchange transactions ASC 606 will apply.

On July 1, 2019, the Organization adopted Accounting Standards Update (ASU) 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as it relates to resource recipients, effective July 1, 2019. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The adoption of this guidance did not have a significant impact on the financial statements.

NOTE 11 - NOTES PAYABLE:

Paycheck Protection Program (PPP)

\$-0-

On April 11, 2020 the Organization received a loan for \$250,272 from Santa Cruz County Bank through the Federal Government's Paycheck Protection Program, administered through the Small Business Administration. The loan was forgiven on June 24, 2021 and the amount is included in Government, Foundation, and Other Grants on the Statement of Activities.

GREY BEARS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 11 - NOTES PAYABLE (continued):

Economic Injury Disaster Loan (EIDL) \$154,177
On June 7, 2020 the Organization received a loan for \$150,000 from the U.S. Small Business Administration. The interest rate is 2.75% with all payments of interest and principal deferred for two years. The loan matures on June 7, 2050. On July 7, 2022, the first of 335 monthly payments of \$641 is due. The loan is secured by all tangible and intangible personal property owned by the Organization. The proceeds are to be used solely as working capital to alleviate the economic injury caused by the Covid-19 pandemic and the Organization must provide itemized receipts for all loan funds expended. Accrued interest on this note as of June 30, 2021 was \$4,177.

The future maturities of debt are as follows:

Year Ending	
<u>June 30,</u>	
2022	\$ -
2023	3,376
2024	3,470
2025	3,567
2026	3,666
Thereafter	140,097
Total	<u>\$ 154,177</u>

NOTE 12 - DATE OF MANAGEMENT'S REVIEW:

The Organization has evaluated events subsequent to June 30, 2021, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through January 11, 2022, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.