



**VOICES FOR CHILDREN  
A NONPROFIT ORGANIZATION  
FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**VOICES FOR CHILDREN  
A NONPROFIT ORGANIZATION**

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Voices For Children  
A Nonprofit Organization

We have audited the accompanying financial statements of Voices for Children, A Nonprofit Organization, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

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 Voices for Children, A Nonprofit Organization, as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE  
An Accountancy Corporation

November 16, 2018

**VOICES FOR CHILDREN  
A NONPROFIT ORGANIZATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017**

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	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash (Notes 3 and 5)	\$ 2,208,428	\$ 2,051,185
Marketable Securities (Notes 4)	250,327	91,968
Contributions Receivable (Note 5)	157,146	177,648
Grants Receivable (Note 6)	147,842	131,164
Prepaid Expenses	23,120	79,022
	2,786,863	2,530,987
<b>PROPERTY AND EQUIPMENT (Note 8)</b>	131,858	112,251
<b>OTHER ASSETS</b>		
Rent Deposit	29,025	29,025
<b>TOTAL ASSETS</b>	2,947,746	2,672,263
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued Expenses (Note 9)	411,044	491,910
Deferred Rent	68,781	56,366
Deferred Revenue	229,500	170,837
<b>TOTAL LIABILITIES</b>	709,325	719,113
<b>NET ASSETS</b>		
Unrestricted	1,989,215	1,696,409
Temporarily Restricted (Note 13)	86,706	156,741
Permanently Restricted (Note 14)	162,500	100,000
	2,238,421	1,953,150
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 2,947,746	\$ 2,672,263

See Accompanying Notes

**VOICES FOR CHILDREN**  
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**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS
<b>REVENUES</b>				
Gifts and Contributions	\$ 3,340,137	\$ 114,971	\$ 62,500	\$ 3,517,608
Special Events, Net (Note 12)				
(Less: Direct Benefit to Donors of \$163,320)	1,980,731	-	-	1,980,731
Government Funding	1,148,295	-	-	1,148,295
Contributed Goods, Services, and Facilities	133,268	-	-	133,268
Net Realized/Unrealized Gain on Marketable Securities	8,143	-	-	8,143
Interest and Dividends	13,031	-	-	13,031
	<u>6,623,605</u>	<u>114,971</u>	<u>62,500</u>	<u>6,801,076</u>
Net Assets Released From Temporarily Restricted	185,006	(185,006)	-	-
Total Revenues	<u>6,808,611</u>	<u>(70,035)</u>	<u>62,500</u>	<u>6,801,076</u>
<b>EXPENSES</b>				
Program	4,936,024	-	-	4,936,024
Management and General	378,302	-	-	378,302
Fundraising	1,201,479	-	-	1,201,479
Total Expenses	<u>6,515,805</u>	<u>-</u>	<u>-</u>	<u>6,515,805</u>
<b>CHANGE IN NET ASSETS</b>	292,806	(70,035)	62,500	285,271
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,696,409</u>	<u>156,741</u>	<u>100,000</u>	<u>1,953,150</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,989,215</u>	<u>\$ 86,706</u>	<u>\$ 162,500</u>	<u>\$ 2,238,421</u>

See Accompanying Notes

**VOICES FOR CHILDREN**  
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**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS
<b>REVENUES</b>				
Gifts and Contributions	\$ 3,424,398	\$ 166,834	\$ 100,000	\$ 3,691,232
Special Events, Net (Note 12)				
(Less: Direct Benefit to Donors of \$146,579)	1,792,116	-	-	1,792,116
Government Funding	756,980	-	-	756,980
Contributed Goods, Services, and Facilities	81,256	-	-	81,256
Net Realized/Unrealized Gain on Marketable Securities	8,787	-	-	8,787
Interest and Dividends	6,370	-	-	6,370
	<u>6,069,907</u>	<u>166,834</u>	<u>100,000</u>	<u>6,336,741</u>
Net Assets Released From Temporarily Restricted	202,833	(202,833)	-	-
Total Revenues	<u>6,272,740</u>	<u>(35,999)</u>	<u>100,000</u>	<u>6,336,741</u>
<b>EXPENSES</b>				
Program	4,568,439	-	-	4,568,439
Management and General	249,484	-	-	249,484
Fundraising	1,190,790	-	-	1,190,790
Total Expenses	<u>6,008,713</u>	<u>-</u>	<u>-</u>	<u>6,008,713</u>
<b>CHANGE IN NET ASSETS</b>	264,026	(35,999)	100,000	328,027
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>1,432,383</u>	<u>192,740</u>	<u>-</u>	<u>1,625,123</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,696,409</u>	<u>\$ 156,741</u>	<u>\$ 100,000</u>	<u>\$ 1,953,150</u>

See Accompanying Notes

**VOICES FOR CHILDREN  
A NONPROFIT ORGANIZATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
<b>EXPENSES</b>				
Operating				
Children's Assistance Fund	\$ 95,221	\$ -	\$ -	\$ 95,221
Credit Card Fees	220	-	6,204	6,424
Dues & Subscriptions	20,626	17,887	8,116	46,629
Employee Benefits	272,342	18,105	48,122	338,569
Equipment & Maintenance	39,307	112	587	40,006
Food & Site Rental	910	-	-	910
Insurance	54,071	-	-	54,071
Marketing	185,630	-	-	185,630
Materials	6,052	4,862	1,716	12,630
Mileage & Meals	203,304	10,245	11,688	225,237
Office Supplies	33,779	4,503	687	38,969
Payroll Taxes	264,050	19,808	47,594	331,452
Printing	12,284	945	65	13,294
Postage	5,332	1,957	1,954	9,243
Professional Services	48,115	49,585	30,349	128,049
Rent	374,156	7,805	26,349	408,310
Salaries	3,135,437	239,966	635,823	4,011,226
Telephone	26,998	375	2,023	29,396
Workers' Compensation	18,208	1,394	3,692	23,294
Special Events				
Catering	-	-	143,200	143,200
Other Event Costs	-	-	113,331	113,331
Outside Services	-	-	218,861	218,861
Printing	-	-	4,680	4,680
Site and Equipment Rental	-	-	57,215	57,215
In-Kind Donations				
Event Tickets	5,410	-	-	5,410
Marketing	37,587	-	-	37,587
Professional Services	9,755	-	-	9,755
Supplies	51,120	-	-	51,120
<b>TOTAL EXPENSES</b>				
<b>BEFORE DEPRECIATION</b>	4,899,914	377,549	1,362,256	6,639,719
Depreciation	36,110	753	2,543	39,406
<b>TOTAL EXPENSES</b>	4,936,024	378,302	1,364,799	6,679,125
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	(163,320)	(163,320)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>	<u>\$ 4,936,024</u>	<u>\$ 378,302</u>	<u>\$ 1,201,479</u>	<u>\$ 6,515,805</u>

See Accompanying Notes



**VOICES FOR CHILDREN  
A NONPROFIT ORGANIZATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017**

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	PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
<b>EXPENSES</b>				
Operating				
Children's Assistance Fund	\$ 93,021	\$ -	\$ -	\$ 93,021
Credit Card Fees	73	-	9,743	9,816
Dues & Subscriptions	30,206	10,011	12,863	53,080
Employee Benefits	247,705	10,859	37,020	295,584
Equipment & Maintenance	38,113	185	389	38,687
Food & Site Rental	232	-	-	232
Insurance	39,891	-	-	39,891
Marketing	150,648	-	-	150,648
Materials	13,563	1,013	1,622	16,198
Mileage & Meals	185,723	12,418	10,862	209,003
Office Supplies	38,855	1,640	2,131	42,626
Payroll Taxes	231,549	12,535	49,160	293,244
Printing	12,276	391	1,150	13,817
Postage	5,977	47	4,260	10,284
Professional Services	24,445	19,451	316	44,212
Rent	368,581	7,482	26,186	402,249
Salaries	2,955,245	171,343	686,616	3,813,204
Telephone	25,121	345	1,962	27,428
Workers' Compensation	17,938	1,040	4,168	23,146
Special Events				
Catering	-	-	90,942	90,942
Other Event Costs	-	-	82,347	82,347
Outside Services	-	-	207,124	207,124
Printing	-	-	14,469	14,469
Site and Equipment Rental	-	-	91,504	91,504
In-Kind Donations				
Event Tickets	18,145	-	-	18,145
Professional Services	7,573	-	-	7,573
Supplies	27,878	-	-	27,878
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	4,532,758	248,760	1,334,834	6,116,352
Depreciation	35,681	724	2,535	38,940
<b>TOTAL EXPENSES</b>	4,568,439	249,484	1,337,369	6,155,292
Less: Direct Benefits to Donors at Special Events Included in Revenue	-	-	(146,579)	(146,579)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>	<u>\$ 4,568,439</u>	<u>\$ 249,484</u>	<u>\$ 1,190,790</u>	<u>\$ 6,008,713</u>

See Accompanying Notes

**VOICES FOR CHILDREN  
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STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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	2018	2017
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 285,271	\$ 328,027
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Depreciation	39,406	38,940
Net Realized/Unrealized (Gain)/Loss on Marketable Securities	(8,143)	(8,787)
Donations of Marketable Securities Included in Gifts and Contributions	(584,324)	(249,995)
Change in Operating Assets and Liabilities:		
Contributions Receivable	20,502	181,186
Grants Receivable	(16,677)	(47,449)
Prepaid Expenses	55,902	21,053
Accrued Expenses	(80,866)	109,560
Deferred Rent	12,415	28,183
Deferred Revenue	58,663	(86,824)
	(503,122)	(14,133)
<b>NET USED BY OPERATING ACTIVITIES</b>	(217,851)	313,894
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(59,013)	(37,262)
Proceeds on Sale of Marketable Securities	587,066	249,437
Purchase of Marketable Securities	(152,959)	(2,804)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	375,094	209,371
<b>NET INCREASE IN CASH</b>	157,243	523,265
<b>CASH, BEGINNING</b>	2,051,185	1,527,920
<b>CASH, ENDING</b>	\$ 2,208,428	\$ 2,051,185
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest Paid	\$ -	\$ -
Taxes Paid	\$ -	\$ -

See Accompanying Notes

**VOICES FOR CHILDREN**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

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**NOTE 1 ORGANIZATION**

Voices for Children (the "Organization") was founded in 1980 and incorporated as a private, nonprofit organization on August 12, 1982, under Section 501(c)(3) of the Internal Revenue Code and under the laws of the State of California. The Organization operates the only Court Appointed Special Advocate (CASA) Programs in San Diego County and in Riverside County, providing critical advocacy to abused, neglected children who have been placed in the foster care system. Voices for Children recruits, trains, and supervises a large corps of volunteer CASAs, and through them transforms the lives of foster children by advocating on their behalf in the court, community, and schools. CASA volunteers undergo extensive training before being assigned to the cases of foster children. CASAs act as fact-finders for the judges, providing critical information needed to make life-altering decisions for these children. CASA volunteers get to know their court-appointed child by talking with everyone in that child's life: parents and relatives, foster parents, teachers, medical professionals, attorneys, and social workers. They use the information they gather to inform judges and others about what the child needs and they help find the best permanent home for them.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting - The financial statements have been prepared using the accrual method in conformity with generally accepted accounting principles.

Basis of Presentation - The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

Cash - The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents.

Marketable Securities - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values as quoted by market exchanges in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fair Value Measurement - The Organization follows accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value, and enhances disclosures about fair value measurements for all financial assets and liabilities.

Property and Equipment - The Organization capitalizes property and equipment in excess of \$500 that has a useful life of five to seven years. Property and equipment are carried at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives of five to seven years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Deferred Revenue - Revenues received in advance of a special event are deferred. The revenues are recognized when the event occurs.

Contributions - Contributions received are considered to be unrestricted and available for general use unless designated by the donor for a specific purpose. All donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions Receivable - Contributions receivable consist of unconditional promises to give and are recorded in the year the promise is made. Conditional promises are not recognized until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows. The Organization provides for probable losses on contributions receivable using the allowance method. The allowance is determined based on management's experience and collection efforts.

The discounts on contributions receivable are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The interest rate used in computing the discount of estimated future cash flows was 3% for pledges received in 2018 and 2017.

**VOICES FOR CHILDREN**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed Goods, Services and Facilities – The Organization has received substantial donations of goods, professional services, and use of facilities. These in-kind donations are valued at their fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

The In-kind Contributions consist of the following for the year ended June 30:

	2018	2017
Event Tickets	\$ 5,410	\$ 18,145
Marketing	37,587	-
Professional Services	9,755	-
Donated Facilities	29,396	27,660
Other Miscellaneous Contributions	51,120	35,451
	\$ 133,268	\$ 81,256

An integral component of the Organization's work with foster children is its network of 1,599 volunteers. During 2016, the Organization conducted a survey and revisited how volunteer hours were being tracked and reported. Through sampling an adequate number of volunteers, and tracking their hours for a three-month period, it was found that the average volunteer dedicated 20-25 or more each month to their activities with foster children. As a result, the total volunteer hours listed below were updated to reflect the survey that was conducted. For fiscal years ending June 2018 and 2017, the combined donated hours reported by all the Organization's volunteers totaled approximately 167,781 and 170,632, respectively. The value of these hours is substantial, as the Independent Sector values similar services in California at \$29.09 per hour as of 2017, the most recent data available (the Independent Sector's volunteer value is based on the hourly earnings provided by the Bureau of Labor Statistics, indexed to determine state's values, and increased by 12 percent estimated for fringe benefits). The Organization's volunteers are highly trained and closely supervised in their court advocacy and case assessment activities; however, they do not meet the criteria under generally accepted accounting principles to be recorded as donated services.

Functional Allocation of Expenses - The Organization allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

**VOICES FOR CHILDREN**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Advertising Costs - The Organization expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2018 and 2017 was \$185,630 and \$150,648 respectively.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, no provision has been made for federal income taxes in the accompanying financial statements.

The Organization follows accounting standards which provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken in its exempt-organization tax returns are more likely than not to be sustained upon examination. As of June 30, 2018 and 2017, the Organization has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

Reclassifications - Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to these reclassifications.

**NOTE 3 CASH**

The Organization maintains its cash in two national commercial banks. Accounts at these institutions are partially insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2018 and 2017, the Organization had approximately \$1,646,000 and \$1,568,000, respectively, in excess of their insured limits at the financial institutions. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash.

Cash consists of the following:

	2018	2017
Unrestricted Cash	\$ 2,174,822	\$ 2,022,388
Temporarily Restricted Cash	33,606	28,797
Total Cash	\$ 2,208,428	\$ 2,051,185

The temporarily restricted accounts have donor restrictions on their use and cannot be used for the Organization's operational expenses.

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**NOTE 4 MARKETABLE SECURITIES**

Marketable securities consist of the following:

<u>2018</u>	<u>Cost</u>	<u>Fair Value</u>
Bond Funds	45,220	43,039
Equity Funds	189,136	207,287
	<u>\$ 234,356</u>	<u>\$ 250,327</u>

<u>2017</u>	<u>Cost</u>	<u>Fair Value</u>
Bond Funds	\$ 15,297	\$ 14,671
Equity Funds	65,865	77,297
	<u>\$ 81,162</u>	<u>\$ 91,968</u>

Investment Income from Marketable Securities consists of the following:

	<u>2018</u>	<u>2017</u>
Interest and Dividends	\$ 13,031	\$ 6,370
Net Realized and Unrealized Gain	8,143	8,787
	<u>\$ 21,174</u>	<u>\$ 15,157</u>

**NOTE 5 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Unconditional Promises to Give (Due in less than one year)	\$ 104,046	\$ 49,704
Temporarily Restricted Pledges (Due in less than one year)	53,100	127,944
	<u>\$ 157,146</u>	<u>\$ 177,648</u>

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**NOTE 6 GRANTS RECEIVABLE**

Grants receivable consists of amounts due from various state agencies for the salaries of certain program employees. As of June 30, 2018 and 2017, amounts due from various state agencies were \$147,842 and \$131,164, respectively. An allowance for doubtful accounts is accounted for using the specific identification method and uncollectible accounts are written-off after all collection attempts have been exhausted. Management believes that all grants receivable were collectible as of June 30, 2018 and 2017, therefore no allowance has been recorded.

**NOTE 7 FAIR VALUE MEASUREMENT**

The Organization follows the methods of fair value measurement to value its financial assets. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.



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**NOTE 7 FAIR VALUE MEASUREMENT (Continued)**

Financial assets and liabilities carried at fair value at June 30, 2018 and 2017 are classified below in one of three categories described above. The tables below present the balances of assets measured at fair value on a recurring basis.

	2018 (level 1)	2018 (level 2)	2018 (level 3)	2018 Total
<b>Mutual Funds:</b>				
U.S Large Cap Funds	\$ 133,658	\$ -	\$ -	\$ 133,658
Bond Funds	43,039	-	-	43,039
International Funds	33,450	-	-	33,450
U.S. Small-Mid Cap Funds	19,622	-	-	19,622
Real Estate Securities Funds	11,712	-	-	11,712
Multi-Strategy Funds	8,846	-	-	8,846
	<u>\$ 250,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,327</u>
	2017 (level 1)	2017 (level 2)	2017 (level 3)	2017 Total
<b>Mutual and Index Funds:</b>				
U.S Large Cap Funds	\$ 51,534	\$ -	\$ -	\$ 51,534
Bond Funds	14,671	-	-	14,671
International Funds	12,866	-	-	12,866
U.S. Small-Mid Cap Funds	6,761	-	-	6,761
Real Estate Securities Funds	4,332	-	-	4,332
Multi-strategy Funds	1,804	-	-	1,804
	<u>\$ 91,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,968</u>

**NOTE 8 PROPERTY AND EQUIPMENT**

Major categories of property and equipment are summarized as follows:

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Office Furniture and Equipment	\$ 303,177	\$ 4,292	\$ -	\$ 307,469
Computers	237,493	24,411	-	261,904
Phone System	70,382	30,310	-	100,692
	<u>\$ 611,052</u>	<u>\$ 59,013</u>	<u>\$ -</u>	<u>670,065</u>
Accumulated Depreciation				(538,207)
				<u>\$ 131,858</u>

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**NOTE 8 PROPERTY AND EQUIPMENT (Continued)**

	Balance June 30, 2016	Additions	Disposals	Balance June 30, 2017
Office Furniture and Equipment	\$ 298,177	\$ 5,000	\$ -	\$ 303,177
Computers	228,866	8,627	-	237,493
Phone System	46,748	23,634	-	70,382
	\$ 573,791	\$ 37,261	\$ -	611,052
Accumulated Depreciation				(498,801)
				\$ 112,251

Depreciation expense was \$39,406 and \$38,940 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 9 ACCRUED EXPENSES**

Accrued expenses consist of the following:

	2018	2017
Accrued Payroll	\$ 167,019	\$ 240,419
Accrued Vacation	159,502	180,906
Accrued Payables	84,523	70,585
	\$ 411,044	\$ 491,910

**NOTE 10 LINE OF CREDIT**

The Organization has a line of credit for \$100,000 with California Bank & Trust. The Organization has drawn \$0 against this line as of June 30, 2018 and 2017. The line of credit is collateralized by substantially all of the assets of the Organization. The interest rate on the line is prime (3.50% at June 30, 2018 and 2017) plus 1%. The line of credit matures on November 13, 2017.

**NOTE 11 RETIREMENT PLAN**

The Organization maintains a tax-deferred retirement plan qualified under Section 403(b) of the Internal Revenue Code. Eligible employees may contribute a percentage of their compensation to the plan. The Organization does not make contributions to the plan.

While the Organization expects to continue the plan indefinitely, it has reserved the right to modify, amend, or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payment of benefits to the participants or their beneficiaries.

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**NOTE 12 SPECIAL EVENTS**

Special events revenues and expenses are directly related to fundraising and consist of the following:

	2018	2017
Revenue		
Starry Starry Night	\$ 1,473,867	\$ 1,341,862
Fostering Hope Golf Classic	228,545	325,708
Wine, Women, and Shoes	335,034	219,056
Other Fundraisers	106,605	52,069
	2,144,051	1,938,695
Expenses		
Starry Starry Night	345,292	291,637
Fostering Hope Golf Classic	71,098	67,861
Wine, Women, and Shoes	85,731	78,072
Other Fundraisers	35,166	48,817
	537,287	486,387
Net Special Events Revenue	\$ 1,606,764	\$ 1,452,308

**NOTE 13 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consists of the following at June 30, 2018 and 2017:

	2018	2017
Pledge Receivable	\$ 53,100	\$ 127,944
Children's Assistance Fund	33,606	28,797
	\$ 86,706	\$ 156,741

During the years ended June 30, 2018 and 2017, net assets released from temporarily restricted net assets was \$185,006 and \$202,833 respectively. Amounts release were used for general support and the Organization's Children's Assistance Fund.

**NOTE 14 PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets resulted from donations received with the stipulation that they be invested to provide a permanent source of income. At June 30, 2018, the permanently restricted net assets consisted of endowments.

**NOTE 15 COMMITMENTS**

The Organization is currently leasing office space under an operating lease that expires in March 2024. Rent expense for 2018 and 2017 was \$408,310 and \$402,249, respectively; which includes \$29,396 and \$27,660 of donated office space from the Juvenile Court for the years ended June 30, 2018 and 2017 respectively. The Organization expects that the Juvenile Court will make such in-kind donations in the future.

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**NOTE 15 COMMITMENTS (Continued)**

The organization entered into an eighty-eight month building lease agreement on July 1, 2015. The lease is effective July 1, 2015 and expires on March 31, 2024. Base rent is initially set at approximately \$26,300. Total base rent payable over the lease period is \$3,006,630.

Minimum future payments under non-cancelable operating leases, in aggregate, having remaining terms in excess of one year for the years ended June 30 are as follows:

2019	331,200
2020	347,760
2021	347,760
2022	365,148
2023	365,148
Thereafter	287,550
	<u>\$ 2,044,566</u>

**NOTE 16 ENDOWMENT FUND**

In 2017 the Organization received funds totaling \$100,000 from two donors, for the purpose of establishing a permanently restricted endowment fund, in the honor of former President/CEO Sharon M. Lawrence. During 2018, the Organization received an additional \$62,500. As a result, the Organization is now subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization's Board of Directors has interpreted the UPMIFA as permitting the expenditure or accumulation of as much of permanent endowment funds as the Organization determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund was established, even if this results in the occasional invasion of the endowment's historical gift value. Thus, at times, the value of donor-restricted assets may fall below the level that a donor requires the Organization to maintain as permanently restricted net assets. As of June 30, 2018, the value of the donor-restricted assets had not fallen below the original donated level.

The Organization classifies as permanently restricted endowment net assets (a) the original value of gifts used to establish permanent endowments and (b) the original value of subsequent gifts to permanent endowments: collectively known as "historical gift value."

Included in marketable securities on the Statement of Financial Position are permanently restricted investments held in an endowment fund. The objective of the endowment fund is to support the continuing operations of the Organization. During the fiscal year ending June 30, 2018, the Organization delegated authority over the investment of the Endowment Fund to the Finance Committee (the "Committee"). The Committee is responsible for the oversight of the investments of the Endowment Fund and for reporting on the Fund's performance to the Board. The Committee is authorized to retain an investment manager to make investment decisions.

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**NOTE 16 ENDOWMENT FUND (continued)**

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To achieve the desired objective, the Organization will adopt an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are typically invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to meet the annual distribution policy rules while growing the fund if possible. Investment risk is measured in terms of the total endowment fund, investment assets, and allocation between asset classes. Strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment payout is defined as a fixed percentage of the market value of the Endowment Funds that can be used for appropriation every year. This amount will be available for Organization-wide operating purposes, including investment management fees for the Endowment Fund. As of June 30, 2018, the endowment payout has not yet been determined.

The portion of the Endowment Fund that is classified as permanently restricted is not reduced by losses on the investment fund. Losses on the investments of permanently restricted funds reduce the temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets.

The Organization had the following endowment fund activities:

	2018	2017
Investment Income	\$ 5,174	\$ -
Unrealized Gain on Investments	4,521	-
Purchase of marketable securities	(5,111)	-
Investment and Trustee Fees	(463)	-
Total change in Permanently Restricted Funds	\$ 4,120	\$ -

Changes in endowment net assets are as follows:

	2018	2017
Endowment Net Assets, Beginning of Year	\$ 100,000	\$ -
Donor Contribution	62,500	100,000
Endowment Net Assets, End of Year	\$ 162,500	\$ 100,000

**NOTE 17 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 16, 2018, the date which the financial statements were available to be issued. Except for the event disclosed in the above paragraph, there were no subsequent events which affected the amounts or disclosures in the financial statements.