



**VOICES FOR CHILDREN
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

**VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION**

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CONSIDINE CONSIDINE
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Voices For Children

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, 2019 and 2018, 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.

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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, 2019 and 2018, 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 dark ink, appearing to read "Considine & Considine". The script is cursive and somewhat stylized, with the ampersand being a simple vertical line.

CONSIDINE & CONSIDINE
An accountancy corporation

December 27, 2019

**VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

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ASSETS

CURRENT ASSETS

Cash (note 3)	\$ 1,394,708	\$ 2,208,428
Marketable securities (note 4)	260,177	250,327
Contributions receivable (note 5)	335,125	157,146
Grants receivable (note 6)	251,131	147,842
Prepaid expenses	135,339	23,120
	<u>2,376,480</u>	<u>2,786,863</u>

PROPERTY AND EQUIPMENT (note 8)	154,918	131,858
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OTHER ASSETS

Rent deposit	<u>30,225</u>	<u>29,025</u>
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TOTAL ASSETS	<u><u>2,561,623</u></u>	<u><u>2,947,746</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued expenses (note 9)	391,639	411,044
Deferred rent	81,195	68,781
Deferred revenue	<u>29,870</u>	<u>229,500</u>

TOTAL LIABILITIES	502,704	709,325
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NET ASSETS (note 15)

Without donor restrictions	1,816,928	1,989,215
With donor restrictions	<u>241,991</u>	<u>249,206</u>
	<u>2,058,919</u>	<u>2,238,421</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,561,623</u></u>	<u><u>\$ 2,947,746</u></u>
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See accompanying notes

VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE			
Gifts and contributions	\$ 2,873,985	\$ 98,084	\$ 2,972,069
Special events, net (note 12)			
(Less: direct benefit to donors of \$312,994)	1,842,206	-	1,842,206
Government funding	1,402,264	-	1,402,264
Contributed goods, services, and facilities	94,643	-	94,643
Realized and unrealized gain, net (note 4)	3,719	-	3,719
Interest and dividends	21,140	-	21,140
	6,237,957	98,084	6,336,041
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	105,299	(105,299)	-
TOTAL REVENUE	6,343,256	(7,215)	6,336,041
OPERATING EXPENSES			
Program services	5,233,101	-	5,233,101
Management and general	318,640	-	318,640
Fundraising	963,802	-	963,802
	6,515,543	-	6,515,543
CHANGE IN NET ASSETS	(172,287)	(7,215)	(179,502)
NET ASSETS, BEGINNING	1,989,215	249,206	2,238,421
NET ASSETS, ENDING	\$ 1,816,928	\$ 241,991	\$ 2,058,919

See accompanying notes

VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE			
Gifts and contributions	\$ 3,340,137	\$ 177,471	\$ 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
Realized and unrealized gain, net (note 4)	8,143	-	8,143
Interest and dividends	13,031	-	13,031
	6,623,605	177,471	6,801,076
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	185,006	(185,006)	-
TOTAL REVENUE	6,808,611	(7,535)	6,801,076
OPERATING EXPENSES			
Program services	4,936,024	-	4,936,024
Management and general	378,302	-	378,302
Fundraising	1,201,479	-	1,201,479
	6,515,805	-	6,515,805
CHANGE IN NET ASSETS	292,806	(7,535)	285,271
NET ASSETS, BEGINNING	1,696,409	256,741	1,953,150
NET ASSETS, ENDING	\$ 1,989,215	\$ 249,206	\$ 2,238,421

See accompanying notes

VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES				
Operating				
Children's assistance fund	\$ 50,158	\$ -	\$ -	\$ 50,158
Credit card fees	-	-	7,010	7,010
Dues and subscriptions	27,640	16,130	26,944	70,714
Employee benefits	292,539	13,502	22,503	328,544
Equipment and maintenance	40,439	827	651	41,917
Food and site rental	975	-	-	975
Insurance	44,989	-	-	44,989
Marketing	148,021	-	-	148,021
Materials	11,521	1,052	3,707	16,280
Mileage and meals	217,987	8,354	13,291	239,632
Office supplies	38,483	3,151	2,582	44,216
Payroll taxes	270,022	16,770	45,662	332,454
Printing	18,931	339	423	19,693
Postage	6,002	171	3,199	9,372
Professional services	88,644	69,239	25,625	183,508
Rent	385,467	7,638	26,733	419,838
Salaries	3,429,924	178,366	526,891	4,135,181
Telephone	26,687	520	1,736	28,943
Workers' compensation	27,819	1,713	4,665	34,197
Special Events				
Catering	-	-	127,161	127,161
Other event costs	-	-	89,161	89,161
Outside services	-	-	218,343	218,343
Printing	-	-	12,957	12,957
Site and equipment rental	-	-	114,514	114,514
In-Kind Donations				
Event tickets	6,460	-	-	6,460
Marketing	22,100	-	-	22,100
Professional services	6,008	-	-	6,008
Supplies	29,869	-	-	29,869
TOTAL EXPENSES				
BEFORE DEPRECIATION	5,190,685	317,772	1,273,758	6,782,215
Depreciation	42,416	868	3,038	46,322
TOTAL EXPENSES	5,233,101	318,640	1,276,796	6,828,537
Less: Direct benefits to donors at special events included in revenue	-	-	(312,994)	(312,994)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	\$ 5,233,101	\$ 318,640	\$ 963,802	\$ 6,515,543

See accompanying notes

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

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES				
Operating				
Children's assistance fund	\$ 95,221	\$ -	\$ -	\$ 95,221
Credit card fees	220	-	6,204	6,424
Dues and subscriptions	20,626	17,887	8,116	46,629
Employee benefits	272,342	18,105	48,122	338,569
Equipment and maintenance	39,307	112	587	40,006
Food and site rental	910	-	-	910
Insurance	54,071	-	-	54,071
Marketing	185,630	-	-	185,630
Materials	6,052	4,862	1,716	12,630
Mileage and 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
TOTAL EXPENSES				
BEFORE DEPRECIATION	4,899,914	377,549	1,362,256	6,639,719
Depreciation	36,110	753	2,543	39,406
TOTAL EXPENSES	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)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	\$ 4,936,024	\$ 378,302	\$ 1,201,479	\$ 6,515,805
	See accompanying notes			

VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

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	<u>2019</u>	<u>2018</u>
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (179,502)	\$ 285,271
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation and amortization	46,322	39,406
Net realized and unrealized (gain)/loss on investments	(3,719)	(8,143)
Donations of marketable securities included in contributions	(423,291)	(584,324)
Change in operating assets and liabilities:		
Accounts receivable	(177,979)	20,502
Grants receivable	(103,289)	(16,677)
Prepaid expenses	(112,219)	55,902
Other assets	(1,200)	-
Accrued expenses	(19,405)	(80,866)
Deferred rent	12,414	12,415
Deferred revenue	(199,630)	58,663
	<u>(981,996)</u>	<u>(503,122)</u>
NET CASH USED BY OPERATING ACTIVITIES	(1,161,498)	(217,851)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Purchase of property and equipment	(69,382)	(59,013)
Proceeds on sale of marketable securities	427,749	587,066
Purchase of marketable securities	<u>(10,589)</u>	<u>(152,959)</u>
	347,778	375,094
NET INCREASE/(DECREASE) IN CASH	(813,720)	157,243
CASH, BEGINNING OF YEAR	<u>2,208,428</u>	<u>2,051,185</u>
CASH, END OF YEAR	<u><u>\$ 1,394,708</u></u>	<u><u>\$ 2,208,428</u></u>
SUPPLEMENTAL DISCLOSURES:		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying notes

**VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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NOTE 1 THE 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 - Under accounting standards on financial statements of not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net assets without donor restrictions - Consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services. Net assets without donor restrictions also include amounts designated for certain purposes by the Board of Directors.

Net assets with donor restrictions - Net assets with donor restrictions consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. At June 30, 2019 and 2018 the Organization had donor restricted assets of \$241,991 and \$249,206, respectively.

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.

**VOICES FOR CHILDREN
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NOTES TO THE FINANCIAL STATEMENTS
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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 net assets without donor restrictions 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.

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 without donor restrictions and available for general use unless designated by the donor for a specific purpose. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 2019 and 2018.

**VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
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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:

	2019	2018
Event tickets	\$ 6,460	\$ 5,410
Marketing	22,100	37,587
Professional services	6,008	9,755
Donated facilities	30,206	29,396
Other miscellaneous contributions	29,869	51,120
	<u>\$ 94,643</u>	<u>\$ 133,268</u>

An integral component of the Organization's work with foster children is its network of over 1,600 volunteers. Many volunteers dedicate 20-25 hours or more each month to their activities with foster children and the Organization tracks their reported hours. For fiscal years ending June 30, 2019 and 2018, the combined donated hours reported by all the Organization's volunteers totaled 163,495 and 167,781, respectively. The value of these hours is substantial, as the Independent Sector values similar services in California at \$29.95 per hour as of 2018, 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 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 cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. 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.

Advertising Costs - The Organization expenses advertising costs as incurred. Advertising expense for the years ended June 30, 2019 and 2018 was \$148,021 and \$185,630 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.

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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, 2019 and 2018, 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.

In August, 2016, FASB issued Accounting Standards Update 2016-14, Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for Profit Entities* (ASU 2016-14). The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Foundation's management elected to adopt ASU 2016-14 effective in the year ending June 30, 2019.

The new standards change the following aspects of Organization's financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The permanently restricted net assets class has been renamed net assets with donor restrictions
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (note 16).
- The net asset disclosures were expanded (note 15).

Reclassifications – Certain reclassifications were made to comply with the adoption of ASU 2016-14. Additionally, certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. These reclassifications had no effect on total assets, total liabilities, and total net assets.

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, 2019 and 2018, the Organization had approximately \$858,000 and \$1,646,000, 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.

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Cash consists of the following:

	<u>2019</u>	<u>2018</u>
Unrestricted cash	\$ 1,364,269	\$ 2,174,822
Restricted cash	<u>30,439</u>	<u>33,606</u>
	<u>\$ 1,394,708</u>	<u>\$ 2,208,428</u>

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

NOTE 4 MARKETABLE SECURITIES

Marketable securities consist of the following:

<u>2019</u>	<u>Cost</u>	<u>Fair value</u>
Bond funds	\$ 46,951	\$ 46,282
Equity funds	<u>204,360</u>	<u>213,895</u>
	<u>\$ 251,311</u>	<u>\$ 260,177</u>

<u>2018</u>	<u>Cost</u>	<u>Fair value</u>
Bond funds	\$ 45,220	\$ 43,039
Equity funds	<u>189,136</u>	<u>207,288</u>
	<u>\$ 234,356</u>	<u>\$ 250,327</u>

Investment Income from Marketable Securities consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 21,140	\$ 13,031
Equity funds	<u>3,719</u>	<u>8,143</u>
	<u>\$ 24,859</u>	<u>\$ 21,174</u>

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A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30:

	2019	2018
Unconditional promises to give (due within one year)	\$ 286,073	\$ 104,046
Restricted pledges (due within one year)	49,052	53,100
	<u>\$ 335,125</u>	<u>\$ 157,146</u>

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, 2019 and 2018, amounts due from various state agencies were \$251,131 and \$147,842 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, 2019 and 2018, 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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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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Financial assets and liabilities carried at fair value at June 30, 2019 and 2018 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.

	2019 Level 1	2019 Level 2	2019 Level 3	2019 Total
Mutual funds:				
U.S. large cap funds	\$ 91,063	\$ -	\$ -	\$ 91,063
Bond funds	46,282	-	-	46,282
International funds	33,348	-	-	33,348
U.S. small-mid cap funds	19,925	-	-	19,925
Real estate securities funds	65,369	-	-	65,369
Multi-strategy funds	4,190	-	-	4,190
	<u>\$ 260,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,177</u>

	2018 Level 1	2018 Level 2	2018 Level 3	2018 Total
Mutual funds:				
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>

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NOTE 8 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Office furniture and equipment	\$ 307,469	\$ 8,577	\$ (23,259)	\$ 292,787
Computers	261,904	45,746	(38,842)	268,808
Phone system	100,692	15,059	(70,382)	45,369
	<u>\$ 670,065</u>	<u>\$ 69,382</u>	<u>\$ (132,483)</u>	606,964
Accumulated depreciation				(452,046)
				<u>\$ 154,918</u>

	Balance June 30, 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>	670,065
Accumulated depreciation				(538,207)
				<u>\$ 131,858</u>

Depreciation expense was \$46,322 and \$39,406 for the years ended June 30, 2019 and 2018, respectively.

NOTE 9 ACCRUED EXPENSES

Accrued expenses consist of the following:

	2019	2018
Accrued payroll	\$ 151,200	\$ 167,019
Accrued vacation	162,612	159,502
Accrued payables	77,827	84,523
	<u>\$ 391,639</u>	<u>\$ 411,044</u>

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NOTE 10 LINE OF CREDIT

The Organization has a line of credit for \$400,000 with California Bank & Trust. The Organization has drawn \$0 against this line as of June 30, 2019 and 2018. The line of credit is collateralized by substantially all of the assets of the Organization. The interest rate on the line is 6.5% and 4.50% at June 30, 2019 and 2018, respectively. The line of credit matures on May 14, 2020.

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.

NOTE 12 SPECIAL EVENTS

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

	<u>2019</u>	<u>2018</u>
Revenue		
Starry starry night	\$ 1,303,274	\$ 1,473,867
Fostering hope golf classic	262,589	228,545
Wine, women, and shoes	500,792	335,034
Other fundraisers	88,545	106,605
	<u>2,155,200</u>	<u>2,144,051</u>
Expenses		
Starry starry night	359,717	345,292
Fostering hope golf classic	78,785	71,098
Wine, women, and shoes	84,850	85,731
Other fundraisers	38,784	35,166
	<u>562,136</u>	<u>537,287</u>
	<u>\$ 1,593,064</u>	<u>\$ 1,606,764</u>

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NOTE 13 COMMITMENTS

The Organization is currently leasing office space under an operating lease that expires in March 2024. Rent expense for 2019 and 2018 was \$419,838 and \$408,310 respectively; which includes \$30,206 and \$29,396 of donated office space from the Juvenile Court for the years ended June 30, 2019 and 2018 respectively. The Organization expects that the Juvenile Court will make such in-kind donations in the future.

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:

2020	\$	347,760
2021		347,760
2022		365,148
2023		365,148
2024		287,550
		<u>\$ 1,713,366</u>

NOTE 14 ENDOWMENT FUND

In 2017 the Organization received funds totaling \$100,000 from two donors, for the purpose of establishing a 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 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 restricted net assets. As of June 30, 2019 and 2018, the value of the donor-restricted assets had not fallen below the original donated level.

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

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Included in marketable securities on the Statement of Financial Position are 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.

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, 2019, the endowment payout is set at 5% as determined by the finance committee.

The portion of the Endowment Fund that is classified as with donor restrictions (to be held in perpetuity) is not reduced by losses on the investments of the fund. Losses on the investments of the funds reduce the net assets with donor restrictions 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 net assets without donor restrictions.

The Organization had the following endowment fund activities:

	2019	2018
Investment income	\$ 9,964	\$ 5,174
Unrealized gain/(loss) on investments	(4,837)	4,521
Purchase of marketable securities	-	(5,111)
Investment and trustee fees	(753)	(463)
Total change in endowment funds	<u>\$ 4,374</u>	<u>\$ 4,121</u>

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Changes in endowment net assets are as follows:

	2019	2018
Endowment net assets, beginning of year	\$ 162,500	\$ 100,000
Donor contributions	-	62,500
Endowment net assets, end of year	<u>\$ 162,500</u>	<u>\$ 162,500</u>

NOTE 15 NET ASSETS

The changes as a result of ASU 2016-14 as outlined in note 2 have the following effect on the net assets at June 30, 2018:

	As originally presented	After adoption of ASU 2016-14
<u>Net asset class</u>		
Unrestricted	\$ 1,989,215	\$ -
Temporarily restricted	86,706	-
Permanently restricted	162,500	-
Without donor restrictions	-	1,989,215
With donor restrictions	-	249,206
	<u>\$ 2,238,421</u>	<u>\$ 2,238,421</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or events specified by donors during fiscal years ended June 30 are as follows:

	2019	2018
Purpose restrictions accomplished:		
Grant fulfillment	\$ 53,100	\$ 127,944
Children's Assistance Fund	52,199	57,062
	<u>\$ 105,299</u>	<u>\$ 185,006</u>

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Net assets consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Undesignated and unrestricted	\$ 1,816,928	\$ 1,989,215
With donor restrictions		
Subject to expenditure for specific purpose:		
Grant fulfillment	49,052	53,100
Children's Assistance Fund	30,439	33,606
Endowments held in perpetuity	<u>162,500</u>	<u>162,500</u>
	<u>241,991</u>	<u>249,206</u>
	<u>\$ 2,058,919</u>	<u>\$ 2,238,421</u>

NOTE 16 LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contributions without donor restrictions. Contributions and expenses are monitored on a monthly basis by the Organization's management and a committee of the Board of Directors. The level of assets are monitored on an annual basis. The Organization's goal is to be able to function within the boundaries of the income received throughout the year.

The Organization currently has a line of credit established with a local bank. The line of credit ensures short-term financial ability of the Organization to pay general expenditures. As part of the Organization's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization manages its liquidity following three guiding principles: operating within a prudent range of financial stewardship and stability, maintaining adequate liquid assets to fund near term operating needs, and maintaining sufficient funds to provide reasonable assurance that long-term obligations will be discharged.

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The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

Financial assets, at year-end:	
Cash	\$ 1,394,708
Contributions receivable	335,125
Grants receivable	251,131
Marketable securities	<u>260,177</u>
Total financial assets	2,241,141
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted for specific programs	(79,491)
Endowment funds held in perpetuity	<u>(162,500)</u>
	<u>(241,991)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 1,999,150</u></u>

NOTE 17 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 27, 2019, 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.