



**VOICES FOR CHILDREN  
FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**VOICES FOR CHILDREN  
A NONPROFIT ORGANIZATION**

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**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, 2020 and 2019, 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, 2020 and 2019, 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

March 26, 2021



**VOICES FOR CHILDREN  
A NONPROFIT ORGANIZATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2020 AND 2019**

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**ASSETS**

**CURRENT ASSETS**

Cash (note 3)	\$ 2,880,811	\$ 1,394,708
Marketable securities (note 4)	260,070	260,177
Contributions receivable (note 5)	488,160	335,125
Grants receivable (note 6)	303,254	251,131
Prepaid expenses	27,808	135,339
	<u>3,960,103</u>	<u>2,376,480</u>

PROPERTY AND EQUIPMENT (note 8)	147,955	154,918
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**OTHER ASSETS**

Rent deposit	<u>30,225</u>	<u>30,225</u>
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<b>TOTAL ASSETS</b>	<u><u>4,138,283</u></u>	<u><u>2,561,623</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accrued expenses (note 9)	394,582	391,639
Deferred rent	77,050	81,195
Deferred revenue	<u>36,500</u>	<u>29,870</u>

<b>TOTAL LIABILITIES</b>	508,132	502,704
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**NET ASSETS (note 16)**

Without donor restrictions	3,391,023	1,816,928
With donor restrictions	<u>239,128</u>	<u>241,991</u>
	<u>3,630,151</u>	<u>2,058,919</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,138,283</u></u>	<u><u>\$ 2,561,623</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, 2020**

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE			
Gifts and contributions	\$ 3,794,425	\$ 101,268	\$ 3,895,693
Special events, net (note 12)			
(Less: direct benefit to donors of \$126,227)	1,415,576	-	1,415,576
Government funding	1,445,753	-	1,445,753
Contributed goods, services, and facilities	87,013	-	87,013
Realized and unrealized gain, net (note 4)	(12,477)	-	(12,477)
Interest and dividends	20,322	-	20,322
Other income - PPP funds (note 13)	870,200	-	870,200
	<u>7,620,812</u>	<u>101,268</u>	<u>7,722,080</u>
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	<u>104,131</u>	<u>(104,131)</u>	<u>-</u>
TOTAL REVENUE	7,724,943	(2,863)	7,722,080
OPERATING EXPENSES			
Program services	4,883,748	-	4,883,748
Management and general	422,491	-	422,491
Fundraising	844,609	-	844,609
	<u>6,150,848</u>	<u>-</u>	<u>6,150,848</u>
CHANGE IN NET ASSETS	1,574,095	(2,863)	1,571,232
NET ASSETS, BEGINNING	<u>1,816,928</u>	<u>241,991</u>	<u>2,058,919</u>
NET ASSETS, ENDING	<u>\$ 3,391,023</u>	<u>\$ 239,128</u>	<u>\$ 3,630,151</u>

See accompanying notes

**VOICES FOR CHILDREN**  
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**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 FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES				
Operating				
Children's assistance fund	\$ 54,679	\$ -	\$ -	\$ 54,679
Credit card fees	-	-	6,672	6,672
Dues and subscriptions	39,686	17,454	27,730	84,870
Employee benefits	214,807	10,914	20,175	245,896
Equipment and maintenance	41,328	225	682	42,235
Food and site rental	1,196	-	-	1,196
Insurance	52,912	-	-	52,912
Marketing	173,350	-	-	173,350
Materials	14,137	5,541	2,015	21,693
Mileage and meals	138,738	7,446	5,657	151,841
Office supplies	30,673	2,215	503	33,391
Payroll taxes	260,718	21,705	41,256	323,679
Printing	9,968	1,011	235	11,214
Postage	4,656	111	2,573	7,340
Professional services	20,833	57,160	6,085	84,078
Rent	371,272	17,837	38,917	428,026
Salaries	3,289,091	274,202	513,983	4,077,276
Telephone	38,402	2,093	3,509	44,004
Workers' compensation	27,271	2,564	4,664	34,499
Special Events				
Catering	-	-	131,090	131,090
Other event costs	-	-	41,613	41,613
Outside services	-	-	35,151	35,151
Printing	-	-	13,750	13,750
Site and equipment rental	-	-	70,184	70,184
In-Kind Donations				
Equipment	10,269			10,269
Event tickets	12,350	-	-	12,350
Professional services	4,517	-	-	4,517
Supplies	32,520	-	-	32,520
TOTAL EXPENSES				
BEFORE DEPRECIATION	4,843,373	420,478	966,444	6,230,295
Depreciation	40,375	2,013	4,392	46,780
TOTAL EXPENSES	4,883,748	422,491	970,836	6,277,075
Less: Direct benefits to donors at special events included in revenue	-	-	(126,227)	(126,227)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>	<b>\$ 4,883,748</b>	<b>\$ 422,491</b>	<b>\$ 844,609</b>	<b>\$ 6,150,848</b>

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)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>	<b>\$ 5,233,101</b>	<b>\$ 318,640</b>	<b>\$ 963,802</b>	<b>\$ 6,515,543</b>

See accompanying notes

**VOICES FOR CHILDREN  
A NONPROFIT ORGANIZATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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	<u>2020</u>	<u>2019</u>
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 1,571,232	\$ (179,502)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation and amortization	46,780	46,322
Net realized and unrealized (gain)/loss on investments	4,373	(3,719)
Donations of marketable securities included in contributions	(173,228)	(423,291)
Change in operating assets and liabilities:		
Accounts receivable	(153,035)	(177,979)
Grants receivable	(52,123)	(103,289)
Prepaid expenses	107,531	(112,219)
Other assets	-	(1,200)
Accrued expenses	2,943	(19,405)
Deferred rent	(4,145)	12,414
Deferred revenue	6,630	(199,630)
	<u>(214,274)</u>	<u>(981,996)</u>
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	1,356,958	(1,161,498)
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Purchase of property and equipment	(39,817)	(69,382)
Proceeds on sale of marketable securities	172,840	427,749
Purchase of marketable securities	(3,878)	(10,589)
	<u>129,145</u>	<u>347,778</u>
NET INCREASE/(DECREASE) IN CASH	1,486,103	(813,720)
CASH, BEGINNING OF YEAR	<u>1,394,708</u>	<u>2,208,428</u>
CASH, END OF YEAR	<u><u>\$ 2,880,811</u></u>	<u><u>\$ 1,394,708</u></u>
SUPPLEMENTAL DISCLOSURES:		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying notes

**VOICES FOR CHILDREN  
A NONPROFIT ORGANIZATION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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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, 2020 and 2019 the Organization had donor restricted assets of \$239,128 and \$241,991 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.

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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 2020 and 2019.



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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:

	2020	2019
Donated facilities	\$ 27,357	\$ 30,206
Event tickets	12,350	6,460
Equipment	10,269	-
Professional services	4,517	6,008
Marketing	-	22,100
Other miscellaneous contributions	32,520	29,869
	<u>\$ 87,013</u>	<u>\$ 94,643</u>

An integral component of the Organization's work with foster children is its network of over 1,400 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, 2020 and 2019, the combined donated hours reported by all the Organization's volunteers totaled 114,704 and 163,495, respectively. The value of these hours is substantial, as the Independent Sector values similar services in California at \$31.51 per hour as of 2019, 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, 2020 and 2019 was \$173,350 and \$148,021 respectively.

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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, 2020 and 2019, 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 2019 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Recent accounting pronouncements

Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, provides guidance for revenue recognition. This ASC's core principle requires an organization to recognize revenue when it transfers promised goods or services to recipients in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods or services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the recipient. The new standard permits the use of either the modified retrospective or full retrospective transition method.

The Organization has performed a review of the new guidance as compared to its current accounting policies, and evaluated all services rendered to its recipients as well as underlying contracts to determine the impact of this standard to its revenue recognition process. Upon completion of its review of relevant contracts, the Organization has made a determination that there is no material impact to revenue recognition upon adoption of the new standard. Additionally, there have not been significant changes to the Organization's business processes, systems, or internal controls as a result of implementing the standard. The Organization adopted the standard on July 1, 2019, using the modified retrospective transition method.

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In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU includes clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions. The Organization adopted ASU 2018 08, under the modified prospective approach to agreements that were either not completed as of June 1, 2019 or entered into after June 1, 2019. The adoption of this ASU did not have a material effect on the financial statements for contributions received. The Organization does not make significant contributions and the impact of ASU 2018-08 related to contributions made is not expected to be material to the financial statements or disclosures.

In February 2016, the FASB issued a new leases standard which sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The new standard will be effective for the Organization beginning on July 1, 2021, with early adoption permitted, though the Organization currently anticipates adopting the new standard on the effective date. The new standard must be adopted using a modified retrospective method, which requires application of the new guidance at the beginning of the earliest comparative period presented and provides for certain practical expedients. The organization is assessing the effect of the new standard on its financial statements, though it does not anticipate changes to its current revenue recognition practices.

**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, 2020 and 2019, the Organization had approximately \$2,641,000 and \$858,000, 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:

	<u>2020</u>	<u>2019</u>
Unrestricted cash	\$ 2,844,714	\$ 1,364,269
Restricted cash	<u>36,097</u>	<u>30,439</u>
	<u>\$ 2,880,811</u>	<u>\$ 1,394,708</u>

The 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>2020</u>	<u>Cost</u>	<u>Fair value</u>
Bond funds	\$ 42,056	\$ 42,930
Equity funds	205,379	217,140
	<u>\$ 247,435</u>	<u>\$ 260,070</u>
<u>2019</u>	<u>Cost</u>	<u>Fair value</u>
Bond funds	\$ 46,951	\$ 46,282
Equity funds	204,360	213,895
	<u>\$ 251,311</u>	<u>\$ 260,177</u>

Investment Income from Marketable Securities consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 20,322	\$ 21,140
Equity funds	(12,477)	3,719
	<u>\$ 7,845</u>	<u>\$ 24,859</u>

**NOTE 5     CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give (due within one year)	\$ 447,629	\$ 286,073
Restricted pledges (due within one year)	40,531	49,052
	<u>\$ 488,160</u>	<u>\$ 335,125</u>

**NOTE 6     GRANTS RECEIVABLE**

Grants receivable consists of amounts due from various state agencies for the salaries of certain program employees, that have been incurred. As of June 30, 2020 and 2019, amounts due from various state agencies were \$303,254 and \$251,131 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, 2020 and 2019, therefore no allowance has been recorded.

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**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.

Financial assets and liabilities carried at fair value at June 30, 2020 and 2019 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.

	2020 Level 1	2020 Level 2	2020 Level 3	2020 Total
Mutual funds:				
U.S. large cap funds	\$ 131,315	\$ -	\$ -	\$ 131,315
Bond funds	42,930	-	-	42,930
International funds	33,541	-	-	33,541
U.S. small-mid cap funds	22,429	-	-	22,429
Real estate securities funds	29,855	-	-	29,855
	<u>\$ 260,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,070</u>
	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>

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**NOTE 8     PROPERTY AND EQUIPMENT**

Major categories of property and equipment are summarized as follows:

	Balance June 30, 2019	Additions	Disposals	Balance June 30, 2020
Office furniture and equipment	\$ 292,787	\$ 3,609	\$ -	\$ 296,396
Computers	268,808	35,187	-	303,995
Phone system	45,369	1,021	-	46,390
	<u>\$ 606,964</u>	<u>\$ 39,817</u>	<u>\$ -</u>	646,781
Accumulated depreciation				(498,826)
				<u>\$ 147,955</u>

  

	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>

Depreciation expense was \$46,780 and \$46,322 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 9     ACCRUED EXPENSES**

Accrued expenses consist of the following:

	2020	2019
Accrued payroll	\$ 182,169	\$ 151,200
Accrued vacation	174,802	162,612
Accrued payables	37,611	77,827
	<u>\$ 394,582</u>	<u>\$ 391,639</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, 2020 and 2019. The line of credit is collateralized by substantially all of the assets of the Organization. The interest rate on the line is 6.5% at June 30, 2019. The line of credit matured on May 14, 2020 (see note 18). The interest rate on the line was 6.5% at the time of maturity.

**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:

	2020	2019
Revenue		
Starry starry night	\$ 1,177,689	\$ 1,303,274
Wine, women, and shoes	275,016	500,792
Fostering hope golf classic	-	262,589
Other fundraisers	89,098	88,545
	<u>1,541,803</u>	<u>2,155,200</u>
Expenses		
Starry starry night	235,361	359,717
Wine, women, and shoes	27,169	84,850
Fostering hope golf classic	732	78,785
Other fundraisers	28,526	38,784
	<u>291,788</u>	<u>562,136</u>
	<u><u>\$ 1,250,015</u></u>	<u><u>\$ 1,593,064</u></u>

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**NOTE 13    PPP FUNDS**

On April 14, 2020, the Organization entered into note payable agreement with California Bank & Trust Bank for \$870,200, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note matures two years from the disbursement date and bears interest at a rate of 1.000% per annum, with the first six months of interest deferred. Principal and interest are payable monthly commencing six months after the disbursement date and may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. The note is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (qualifying expenses), pursuant to the terms and limitations of the PPP. On August 3, 2020, the Organization completed its loan forgiveness application. On November 5, 2020, the Organization received an approval letter from the Small Business Administration, stated that their PPP loan had been fully forgiven. The loan forgiveness has been recorded as other income – PPP funds, on the statement of activities and changes in net assets.

**NOTE 14    COMMITMENTS**

The Organization is currently leasing office space under an operating lease that expires in March 2024. Rent expense for 2020 and 2019 was \$428,026 and \$419,838 respectively; which includes \$27,357 and \$30,206 of donated office space from the Juvenile Court for the years ended June 30, 2020 and 2019 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:

2021	\$	347,760
2022		365,148
2023		365,148
2024		287,550
		<u>\$ 1,365,606</u>



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**NOTE 15    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, 2020 and 2019, 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."

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, 2020, the endowment payout is set at 5% as determined by the finance committee.

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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. All additions over the historical gift value may, subject to the discretion of the board of directors, to be used to fund distributions supporting the purposes of the fund.

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Balance, beginning of year	\$ 170,994	\$ 166,620
Net investment return	1,312	5,127
Investment and trustee fees	(773)	(753)
Balance, end of year	<u>\$ 171,533</u>	<u>\$ 170,994</u>

As of June 30, 2020 and 2019, endowment net assets composition are as follows:

	2020	2019
Donor historical gift value	\$ 162,500	\$ 162,500
Accumulated investment gains	9,033	8,494
Balance, end of year	<u>\$ 171,533</u>	<u>\$ 170,994</u>

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**NOTE 16    NET ASSETS**

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:

	2020	2019
Purpose restrictions accomplished:		
Grant fulfillment	\$ 49,052	\$ 53,100
Children's assistance program	55,079	52,199
	<u>\$ 104,131</u>	<u>\$ 105,299</u>

Net assets consist of the following at June 30:

	2020	2019
Without donor restrictions:		
Undesignated and unrestricted	\$ 3,391,023	\$ 1,816,928
With donor restrictions		
Subject to expenditure for specific purpose:		
Grant fulfillment	40,531	49,052
Children's assistance program	36,097	30,439
Endowments held in perpetuity	162,500	162,500
	<u>239,128</u>	<u>241,991</u>
	<u>\$ 3,630,151</u>	<u>\$ 2,058,919</u>

**NOTE 17    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, 2020, 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	\$ 2,880,811
Contributions receivable	488,160
Grants receivable	303,254
Marketable securities	<u>260,070</u>
Total financial assets	<u>3,932,295</u>

Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:

Restricted for specific programs	(76,628)
Endowment funds held in perpetuity	<u>(162,500)</u>
	<u>(239,128)</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 3,693,167</u></u>

**NOTE 18 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 26, 2021, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements, except as noted below:

As a result of the spread of the Covid-19 Coronavirus and the resulting stay-at-home orders issued by the State of California, the state in which the Organization operates, the Organization is experiencing reduced contributions. The duration of the reduction in contributions may be only temporary. However, the related financial impact and duration cannot be reasonably estimated at this time.

On November 5, 2020, the Organization received an approval letter from the Small Business Administration, stated that their PPP loan had been fully forgiven (see note 13).

In November 2020, the Organization renewed the line of credit for \$400,000 with California Bank & Trust at a rate of 4.5%. The line of credit is set to mature on August 14, 2021.