



**VOICES FOR CHILDREN
FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

**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, 2021 and 2020, 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, 2021 and 2020, 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.

CONSIDINE & CONSIDINE
An accountancy corporation

December 9, 2021

**VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

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	2021	2020
ASSETS		
CURRENT ASSETS		
Cash (note 3)	\$ 5,658,129	\$ 2,880,811
Marketable securities (note 4)	348,231	260,070
Contributions receivable	455,177	488,160
Grants receivable (note 5)	322,770	303,254
Other receivable (note 13)	1,173,223	-
Prepaid expenses	121,380	27,808
	8,078,910	3,960,103
PROPERTY AND EQUIPMENT (note 7)	151,794	147,955
OTHER ASSETS		
Rent deposit	30,225	30,225
	8,260,929	4,138,283
TOTAL ASSETS	8,260,929	4,138,283
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses (note 9)	620,869	394,582
Deferred rent	72,905	77,050
Deferred revenue	569,054	36,500
PPP loan payable (note 13)	874,052	-
	2,136,880	508,132
TOTAL LIABILITIES	2,136,880	508,132
NET ASSETS (note 16)		
Net assets without donor restrictions		
Without donor restrictions	5,642,525	3,391,023
With donor restrictions	481,524	239,128
	6,124,049	3,630,151
TOTAL NET ASSETS	6,124,049	3,630,151
TOTAL LIABILITIES AND NET ASSETS	\$ 8,260,929	\$ 4,138,283

See accompanying notes

VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

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	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE			
Gifts and contributions	\$ 3,924,616	\$ 339,310	\$ 4,263,926
Special events, net (note 11)			
(Less: direct benefit to donors of \$57,943)	1,422,222	-	1,422,222
Government funding	1,678,204	-	1,678,204
Contributed goods, services, and facilities	86,325	-	86,325
Investment return (note 4)	40,000	53,139	93,139
Other income (note 13)	1,173,223	-	1,173,223
	<u>8,324,590</u>	<u>392,449</u>	<u>8,717,039</u>
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	<u>150,053</u>	<u>(150,053)</u>	<u>-</u>
TOTAL REVENUE	8,474,643	242,396	8,717,039
OPERATING EXPENSES			
Program services	4,813,154	-	4,813,154
Management and general	479,382	-	479,382
Fundraising	930,605	-	930,605
	<u>6,223,141</u>	<u>-</u>	<u>6,223,141</u>
CHANGE IN NET ASSETS	2,251,502	242,396	2,493,898
NET ASSETS, BEGINNING	3,391,023	239,128	3,630,151
NET ASSETS, ENDING	<u>\$ 5,642,525</u>	<u>\$ 481,524</u>	<u>\$ 6,124,049</u>

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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	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE			
Gifts and contributions	\$ 3,794,425	\$ 101,268	\$ 3,895,693
Special events, net (note 11)			
(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
Investment Return (note 4)	6,549	-	6,549
Other income - PPP funds (note 12)	870,200	-	870,200
	<u>7,619,516</u>	<u>101,268</u>	<u>7,720,784</u>
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	<u>104,131</u>	<u>(104,131)</u>	<u>-</u>
TOTAL REVENUE	7,723,647	(2,863)	7,720,784
OPERATING EXPENSES			
Program services	4,882,452	-	4,882,452
Management and general	422,491	-	422,491
Fundraising	844,609	-	844,609
	<u>6,149,552</u>	<u>-</u>	<u>6,149,552</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
A NONPROFIT ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES				
Operating				
Children's assistance fund	\$ 59,378	\$ -	\$ -	\$ 59,378
Credit card fees	844	-	12,884	13,728
Dues and subscriptions	58,462	20,999	20,024	99,485
Employee benefits	233,191	14,852	34,708	282,751
Equipment and maintenance	44,617	222	673	45,512
Food and site rental	-	-	-	-
Insurance	55,197	-	-	55,197
Marketing	162,211	-	-	162,211
Materials	24,178	1,452	3,743	29,373
Mileage and meals	40,987	124	686	41,797
Office supplies	27,444	5,227	1,623	34,294
Payroll taxes	247,450	25,724	43,482	316,656
Printing	9,223	191	293	9,707
Postage	6,841	295	2,831	9,967
Professional services	50,680	42,858	82,690	176,228
Rent	326,946	29,737	51,896	408,579
Salaries	3,323,508	327,495	598,424	4,249,427
Telephone	47,444	4,107	6,141	57,692
Workers' compensation	22,977	2,342	4,178	29,497
Special Events				
Catering	-	-	10,264	10,264
Other event costs	-	-	18,855	18,855
Outside services	-	-	34,427	34,427
Printing	-	-	14,270	14,270
Site and equipment rental	-	-	39,900	39,900
In-Kind Donations				
Event tickets	240	-	-	240
Professional services	12,458	-	-	12,458
Supplies	19,270	-	-	19,270
TOTAL EXPENSES				
BEFORE DEPRECIATION	4,773,546	475,625	981,992	6,231,163
Depreciation	39,608	3,757	6,556	49,921
TOTAL EXPENSES	4,813,154	479,382	988,548	6,281,084
Less: Direct benefits to donors at special events included in revenue	-	-	(57,943)	(57,943)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 4,813,154</u>	<u>\$ 479,382</u>	<u>\$ 930,605</u>	<u>\$ 6,223,141</u>

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	38,390	17,454	27,730	83,574
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	4,842,077	420,478	966,444	6,228,999
Depreciation	40,375	2,013	4,392	46,780
TOTAL EXPENSES	4,882,452	422,491	970,836	6,275,779
Less: Direct benefits to donors at special events included in revenue	-	-	(126,227)	(126,227)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 4,882,452</u>	<u>\$ 422,491</u>	<u>\$ 844,609</u>	<u>\$ 6,149,552</u>

See accompanying notes

**VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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	2021	2020
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 2,493,898	\$ 1,571,232
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation and amortization	49,921	46,780
Net unrealized (gain)/loss on investments	(70,498)	4,373
Donations of marketable securities included in contributions	(446,712)	(173,228)
Change in operating assets and liabilities:		
Contributions receivable	32,983	(153,035)
Grants receivable	(19,516)	(52,123)
Prepaid expenses	(93,572)	107,531
Other receivable	(1,173,223)	-
Accrued expenses	226,287	2,943
Deferred rent	(4,145)	(4,145)
Deferred revenue	532,554	6,630
	(965,921)	(214,274)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,527,977	1,356,958
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Purchase of property and equipment	(53,760)	(39,817)
Proceeds on sale of marketable securities	693,706	172,840
Purchase of marketable securities	(264,657)	(3,878)
	375,289	129,145
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from PPP loan payable	874,052	-
NET INCREASE IN CASH AND RESTRICTED CASH	2,777,318	1,486,103
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	2,880,811	1,394,708
CASH AND RESTRICTED CASH, END OF YEAR	\$ 5,658,129	\$ 2,880,811
SUPPLEMENTAL DISCLOSURES:		
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

See accompanying notes

**VOICES FOR CHILDREN
A NONPROFIT ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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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. At June 30, 2021 and 2020, net assets without donor restrictions totaling \$141,110 and \$106,275 respectively, have been designated by the Board of Directors as an endowment for the purpose of securing the Organization's long term financial viability.

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, 2021 and 2020 the Organization had donor restricted assets of \$481,524 and \$239,128 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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Restricted cash – The Organization follows Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows Topic 230: Restricted Cash*, which provides guidance on the cash flows statement presentation and disclosure of restricted cash.

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.

**VOICES FOR CHILDREN
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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 2021 and 2020.

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:

	2021	2020
Donated facilities	\$ 27,357	\$ 27,357
Equipment	27,000	10,269
Professional services	12,458	4,517
Event tickets	240	12,350
Other miscellaneous contributions	19,270	32,520
	\$ 86,325	\$ 87,013

An integral component of the Organization's work with foster children is its network of almost 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, 2021 and 2020, the combined donated hours reported by all the Organization's volunteers totaled approximately 117,000 and 115,000, respectively. The value of these hours is substantial, as the Independent Sector values similar services in California at \$33.61 per hour as of 2020, 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 15.7 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, 2021 and 2020 was \$162,211 and \$173,350 respectively.

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Income Taxes - The Organization is exempt from federal and state of California 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, 2021 and 2020, 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 2020 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.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which replaced existing lease accounting guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use (ROU) assets and corresponding lease liabilities on the balance sheet. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. The new guidance requires the Organization to continue to classify leases as either an operating or finance lease, with classification affecting the pattern of expense recognition in the income statement. In addition, the new standard requires enhanced disclosure surrounding the amount, timing and uncertainty of cash flows arising from leasing agreements.

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The new standard will be effective for the Organization beginning on July 1, 2022, 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, 2021 and 2020, the Organization had approximately \$5,519,000 and \$2,641,000, 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>2021</u>	<u>2020</u>
Unrestricted cash	\$ 5,491,277	\$ 2,850,372
Restricted cash	166,852	30,439
	<u>\$ 5,658,129</u>	<u>\$ 2,880,811</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>2021</u>	<u>Cost</u>	<u>Fair value</u>
Bond funds	\$ 48,508	\$ 50,230
Equity funds	268,208	298,001
	<u>\$ 316,716</u>	<u>\$ 348,231</u>
<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>

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The following schedule summarizes the investment return of the marketable securities held by the Organization for the years ended June 30:

	2021	2020
Net realized and unrealized gain on investments	\$ 70,088	\$ (12,477)
Interest and dividends	24,535	20,322
Less: investment fees	(1,484)	(1,296)
	\$ 93,139	\$ 6,549

NOTE 5 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, 2021 and 2020, amounts due from various state agencies were \$322,770 and \$303,254 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, 2021 and 2020, therefore no allowance has been recorded.

NOTE 6 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, 2021 and 2020 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.

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	2021 Level 1	2021 Level 2	2021 Level 3	2021 Total
Mutual funds	\$ 274,932	\$ -	\$ -	\$ 274,932
Bond funds	50,230	-	-	50,230
Exchange traded funds	23,069	-	-	23,069
	<u>\$ 348,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,231</u>
	2020 Level 1	2020 Level 2	2020 Level 3	2020 Total
Mutual funds	\$ 217,140	\$ -	\$ -	\$ 217,140
Bond funds	42,930	-	-	42,930
	<u>\$ 260,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,070</u>

NOTE 7 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	Balance June 30, 2020	Additions	Disposals	Balance June 30, 2021
Office furniture and equipment	\$ 296,396	\$ 33,393	\$ -	\$ 329,789
Computers	303,995	20,367	-	324,362
Phone system	46,390	-	-	46,390
	<u>\$ 646,781</u>	<u>\$ 53,760</u>	<u>\$ -</u>	700,541
Accumulated depreciation				(548,747)
				<u>\$ 151,794</u>

Depreciation expense was \$49,921 and \$46,780 for the years ended June 30, 2021 and 2020, respectively.

	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>

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NOTE 8 ACCRUED EXPENSES

Accrued expenses consist of the following:

	<u>2021</u>	<u>2020</u>
Accrued payroll	\$ 228,787	\$ 182,169
Accrued vacation	261,209	174,802
Accrued payables	130,873	37,611
	<u>\$ 620,869</u>	<u>\$ 394,582</u>

NOTE 9 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, 2021 and 2020. The line of credit is collateralized by substantially all of the assets of the Organization. The interest rate on the line is 4.5% at June 30, 2020. The line of credit matures on August 14, 2021.

In September 2021, the Organization extended the line of credit until August 14, 2024(See note 19).

NOTE 10 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 11 SPECIAL EVENTS

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

	2021	2020
Revenue		
Starry starry night	\$ 1,272,750	\$ 1,177,689
Wine, women, and shoes	-	275,016
Fostering hope golf classic	185,422	-
Other fundraisers	21,993	89,098
	1,480,165	1,541,803
Expenses		
Starry starry night	61,149	235,361
Wine, women, and shoes	-	27,169
Fostering hope golf classic	53,804	732
Other fundraisers	2,761	28,526
	117,714	291,788
	\$ 1,362,451	\$ 1,250,015

NOTE 12 PPP FUNDS

On January 25, 2021, the Organization received a second round of PPP funding and entered into a note payable agreement with California Bank & Trust Bank for \$870,285, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan has accrued interest in the amount of \$3,767. The loan has not been forgiven as of June 30, 2021, although the Organization expects the loan to be forgiven in full.

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.

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NOTE 13 OTHER RECEIVABLE

On July 29, 2021 the Organization filed for the Employee Retention Credit (ERC). Laws and regulations concerning government programs, including the ERC established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization. A receivable has been recorded for \$1,173,223 on the statement of financial position for the amount Organization expects to receive for the year-ended June 30, 2021. That amount has been included as other income on the statement of activities for the year-ended June 30, 2021.

NOTE 14 COMMITMENTS

The Organization is currently leasing office space under an operating lease that expires in March 2024. Rent expense for 2021 and 2020 was \$408,579 and \$428,026 respectively; which includes \$27,357 and \$27,537 of donated office space from the Juvenile Court for the years ended June 30, 2021 and 2020 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:

2022	365,148
2023	365,148
2024	<u>287,550</u>
	<u>\$ 1,017,846</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, 2021 and 2020, 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." Board designated endowment funds are classified as net assets without donor restrictions, available to be appropriated for expenditure by the Center.

Included in marketable securities on the Statement of Financial Position are donor restricted and board designated 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, 2021, 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.

During the year ended June 30, 2021, the Organization had the following endowment related activities:

	<u>With donor restrictions</u>	<u>Without donor restrictions</u>	<u>Total</u>
Investment income	\$ 11,286	\$ 7,674	\$ 18,960
Unrealized gain on investments	42,740	27,758	70,498
Investment and trustee fees	(887)	(597)	(1,484)
Total change in endowment funds	<u>\$ 53,139</u>	<u>\$ 34,835</u>	<u>\$ 87,974</u>

During the year ended June 30, 2020, the Organization had the following endowment related activities:

	<u>With donor restrictions</u>	<u>Without donor restrictions</u>	<u>Total</u>
Investment income	\$ 8,316	\$ 5,876	\$ 14,192
Unrealized loss on investments	(7,004)	(5,085)	(12,089)
Investment and trustee fees	(773)	(523)	(1,296)
Total change in endowment funds	<u>\$ 539</u>	<u>\$ 268</u>	<u>\$ 807</u>

Endowment net asset composition by type of fund as of June 30, 2021:

	<u>With donor restrictions</u>	<u>Without donor restrictions</u>	<u>Endowment net assets</u>
Donor-restricted endowment funds	\$ 224,672	\$ -	\$ 224,672
Board-designated endowment funds	-	141,110	141,110
Total funds	<u>\$ 224,672</u>	<u>\$ 141,110</u>	<u>\$ 365,782</u>

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Changes in endowment net assets as of June 30, 2021 are as follows:

	With donor restrictions	Without donor restrictions	Total endowment net assets
Endowment net assets, beginning of year	\$ 171,533	\$ 106,275	\$ 277,808
Investment income	11,286	7,674	18,960
Unrealized gain on investments	42,740	27,758	70,498
Investment and trustee fees	(887)	(597)	(1,484)
Endowment net assets, end of year	<u>\$ 224,672</u>	<u>\$ 141,110</u>	<u>\$ 365,782</u>

Endowment net asset composition by type of fund as of June 30, 2020:

	With donor restrictions	Without donor restrictions	Endowment net assets
Donor-restricted endowment funds	\$ 171,533	\$ -	\$ 171,533
Board-designated endowment funds	-	106,275	106,275
Total funds	<u>\$ 171,533</u>	<u>\$ 106,275</u>	<u>\$ 277,808</u>

Changes in endowment net assets as of June 30, 2020 are as follows:

	With donor restrictions	Without donor restrictions	Total endowment net assets
Endowment net assets, beginning of year	\$ 170,994	\$ 106,007	\$ 277,001
Investment income	8,316	5,876	14,192
Unrealized gain on investments	(7,004)	(5,085)	(12,089)
Investment and trustee fees	(773)	(523)	(1,296)
Endowment net assets, end of year	<u>\$ 171,533</u>	<u>\$ 106,275</u>	<u>\$ 277,808</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:

	2021	2020
Purpose restrictions accomplished:		
Grant fulfillment	\$ 92,819	\$ 49,052
Children's assistance program	57,234	55,079
	\$ 150,053	\$ 104,131

Net assets consist of the following at June 30:

	2021	2020
Without donor restrictions:		
Undesignated and unrestricted	\$ 5,642,525	\$ 3,391,023
Board designated	141,110	106,275
	5,783,635	3,497,298
With donor restrictions		
Subject to expenditure for specific purpose:		
Grant fulfillment	86,547	40,531
Children's assistance program	170,305	36,097
Endowments held in perpetuity	162,500	162,500
Accumulated endowment earnings	62,172	-
	481,524	239,128
	\$ 6,265,159	\$ 3,736,426

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.

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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.

The following reflects the Organization's financial assets as of June 30, 2021 and 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:	2021	2020
Cash	\$ 5,658,129	\$ 2,880,811
Contributions receivable	455,177	488,160
Grants receivable	322,770	303,254
Other receivable	1,173,223	-
Marketable securities	348,231	260,070
Total financial assets	<u>7,957,530</u>	<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	(256,852)	(76,628)
Endowment funds held in perpetuity	(162,500)	(162,500)
Accumulated endowment earnings	(62,172)	-
	<u>(481,524)</u>	<u>(239,128)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,476,006</u>	<u>\$ 3,693,167</u>

NOTE 18 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 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:

In September 2021, 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, 2024.

The Organization continues to monitor the effects of the COVID-19 pandemic and the effects on their financial statements and, as needed, adjusts its operations based on the health orders issued by governmental authorities. The future financial impact of the pandemic cannot be reasonably estimated at this time.