

ALLIES FOR EVERY CHILD, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Allies for Every Child, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Allies for Every Child, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2021, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Allies for Every Child, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Allies for Every Child, Inc., Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021, on our consideration of Allies for Every Child, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Allies for Every Child, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Allies for Every Child, Inc.'s internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
December 17, 2021

ALLIES FOR EVERY CHILD, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

With comparative totals at June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021</u>	<u>2020</u>
ASSETS				
Cash	\$ 2,010,110	\$ 273,783	\$ 2,283,893	\$ 1,774,995
Cash - unemployment trust reserve (Note 9)	111,884		111,884	112,005
Accounts receivable	1,529,385		1,529,385	1,563,228
Pledges receivable (Note 4)	64,450		64,450	93,000
Prepaid expenses	171,422		171,422	147,723
Investments (Note 5)	3,025,916		3,025,916	2,576,208
Property and equipment, net (Note 7)	3,881,114		3,881,114	3,742,772
	<u>3,881,114</u>		<u>3,881,114</u>	<u>3,742,772</u>
TOTAL ASSETS	<u>\$ 10,794,281</u>	<u>\$ 273,783</u>	<u>\$ 11,068,064</u>	<u>\$ 10,009,931</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 522,018	\$ -	\$ 522,018	\$ 141,318
Accrued liabilities (Note 8)	1,348,389		1,348,389	937,778
Accrued unemployment liability (Note 9)	126,253		126,253	138,008
Government owned assets (Note 7)	513,998		513,998	285,037
Paycheck protection program loan (Note 10)	-		-	895,500
	<u>-</u>		<u>-</u>	<u>895,500</u>
TOTAL LIABILITIES	<u>2,510,658</u>	<u>-</u>	<u>2,510,658</u>	<u>2,397,641</u>
NET ASSETS				
Without donor restrictions	8,283,623		8,283,623	7,293,637
With donor restrictions (Note 15)		273,783	273,783	318,653
	<u>8,283,623</u>	<u>273,783</u>	<u>8,557,406</u>	<u>7,612,290</u>
TOTAL NET ASSETS	<u>8,283,623</u>	<u>273,783</u>	<u>8,557,406</u>	<u>7,612,290</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,794,281</u>	<u>\$ 273,783</u>	<u>\$ 11,068,064</u>	<u>\$ 10,009,931</u>

The accompanying notes are an integral part of these financial statements.

ALLIES FOR EVERY CHILD, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
REVENUE AND SUPPORT				
Fees and contracts from government agencies (Note 13)	\$ -	\$ 8,370,098	\$ 8,370,098	\$ 8,366,177
Paycheck protection program loan forgiveness (Note 10)	895,500		895,500	-
Other income (loss) (Note 14)	482,559	132,708	615,267	(44,591)
Special events - net of expenses of \$40,782	505,054		505,054	636,087
Contributions	86,250	184,460	270,710	663,060
Donated goods and services (Note 2)	141,538		141,538	144,196
Parent fees	44,774		44,774	40,840
Net assets released from restrictions (Note 15)	8,732,136	(8,732,136)	-	-
TOTAL REVENUE AND SUPPORT	10,887,811	(44,870)	10,842,941	9,805,769
EXPENSES				
Program services	8,347,598		8,347,598	8,385,943
Management and general	1,121,274		1,121,274	1,073,537
Community relations	190,597		190,597	175,138
Fundraising	238,356		238,356	226,477
TOTAL EXPENSES	9,897,825	-	9,897,825	9,861,095
CHANGE IN NET ASSETS	989,986	(44,870)	945,116	(55,326)
NET ASSETS, BEGINNING OF YEAR	7,293,637	318,653	7,612,290	7,667,616
NET ASSETS, END OF YEAR	\$ 8,283,623	\$ 273,783	\$ 8,557,406	\$ 7,612,290

The accompanying notes are an integral part of these financial statements.

ALLIES FOR EVERY CHILD, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	Program Services			Total Program Services	Management and General	Community Relations	Fundraising	Total Expenses	
	Child Development	Child Welfare	Foster Care and Adoptions					2021	2020
Salaries	\$ 2,207,048	\$ 733,971	\$ 363,578	\$ 3,304,597	\$ 584,852	\$ 136,504	\$ 131,537	\$ 4,157,490	\$ 4,124,186
Employee taxes and benefits	513,898	136,161	52,122	702,181	90,321	24,958	27,024	844,484	843,396
Total personnel costs	2,720,946	870,132	415,700	4,006,778	675,173	161,462	158,561	5,001,974	4,967,582
Program related expenses	2,020,712	71,398	331,020	2,423,130				2,423,130	2,417,244
Professional fees and outside services	366,468	137,636	6,101	510,205	178,156	7,751	42,332	738,444	825,657
Occupancy	407,660	96,887	118,827	623,374	86,357	14,628	13,992	738,351	477,987
Depreciation	146,128		1,854	147,982	18,959			166,941	162,478
Supplies	118,493	15,683	4,216	138,392	7,093	383	4,696	150,564	249,536
Contributed goods and services	141,538			141,538				141,538	144,196
Insurance	44,229	12,596	6,934	63,759	25,065	2,376	2,130	93,330	85,698
Recruitment and training	46,348	5,592	26,821	78,761	4,363	27	4	83,155	111,861
Communications	36,728	12,356	11,981	61,065	18,566	1,708	1,619	82,958	80,804
Accounting	1,210		6,465	7,675	59,829		4,747	72,251	72,859
Utilities	55,210	1,787	401	57,398	2,956	148	133	60,635	54,243
Computer and software	24,696	3,153	1,658	29,507	4,641	324	2,033	36,505	26,356
Equipment	9,226	7,793	2,064	19,083	7,899	974	1,837	29,793	82,736
Vehicle expenses	14,393	4,304		18,697	1,213			19,910	18,765
Miscellaneous expenses	312	24		336	17,503			17,839	7,709
Dues and subscriptions	1,658	1,387	903	3,948	7,179	816	2,140	14,083	18,026
Travel	7,187	4,378	396	11,961	519		47	12,527	34,483
Meeting		354	2,008	2,362	3,550			5,912	737
Marketing and public relations			150	150	900		3,190	4,240	7,714
Postage and delivery	581	140	289	1,010	561		457	2,028	3,251
Printing and copying	366		121	487	792		438	1,717	11,173
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 6,164,089	\$ 1,245,600	\$ 937,909	\$ 8,347,598	\$ 1,121,274	\$ 190,597	\$ 238,356	\$ 9,897,825	
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 6,043,927	\$ 1,484,217	\$ 857,799	\$ 8,385,943	\$ 1,073,537	\$ 175,138	\$ 226,477		\$ 9,861,095

The accompanying notes are an integral part of these financial statements.

ALLIES FOR EVERY CHILD, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:		
Change in net assets	\$ 945,116	\$ (55,326)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	166,941	162,478
Forgiveness of paycheck protection program funds	(895,500)	-
Purchased government owned property and equipment	(228,961)	(16,024)
Change in value of unemployment trust	121	1,144
Reinvested investment income	(64,476)	(79,966)
Gain (loss) on investments, net of fees	(390,246)	230,273
(Increase) decrease in operating assets:		
Accounts receivable	33,843	(692,831)
Pledges receivable	28,550	(2,300)
Prepaid expenses	(23,699)	(11,663)
Increase (decrease) in operating liabilities:		
Accounts payable	380,700	(271,307)
Accrued liabilities	410,611	322,995
Accrued unemployment	(11,755)	(12,899)
Government owned assets	228,961	16,024
	<u>580,206</u>	<u>(409,402)</u>
CASH FLOWS (TO) INVESTING ACTIVITIES:		
Sale of investments	3,472,944	4,001,445
Purchase of investments	(3,467,931)	(4,001,198)
Purchase of property and equipment	(76,321)	(16,559)
	<u>(71,308)</u>	<u>(16,312)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from paycheck protection program loan	-	895,500
	<u>-</u>	<u>895,500</u>
NET INCREASE IN CASH	508,898	469,786
CASH, BEGINNING OF YEAR	1,774,995	1,305,209
CASH, END OF YEAR	\$ 2,283,893	\$ 1,774,995

The accompanying notes are an integral part of these financial statements.

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

All children need a childhood. Allies for Every Child, Inc. (“Allies”) brings together and strengthens families, cultivating conditions for children to succeed in life. Allies is a community-based organization with an over 30-year history of working with the most vulnerable children and families in Los Angeles, helping mitigate the potentially devastating effects of deep poverty, trauma, abuse, neglect, and social and economic injustice. Founded in 1987 as a foster care agency, Allies has maintained this work as our anchor. However, recognizing that most child welfare system involvement is due to neglect (most recently, 61% of cases nationally) and the multitude of inequities families from under-resourced communities face, our agency expanded our approach to encompass a range of trauma-informed, child-centered, family-focused services aimed at prevention of involvement (or further involvement) with child protective services.

Allies serves over 3,500 people every year through innovative foster care and adoption services, intensive family strengthening interventions, and high-quality early education programs, as well as a range of critical, multidisciplinary supports that all Allies families can access, including early childhood mental health services, pediatric health consultations, disability screenings/advocacy, community events, etc. With a deep understanding of how adversity can impact the developing brain, Allies’ team of experts design and deliver services using a neurobiologically-informed, trauma-sensitive, relationship-focused approach. Allies is accredited by the Council on Accreditation (COA), which recognizes Allies as an agency that has successfully implemented the highest performance standards and, as such, is delivering the highest quality services.

Child Welfare

Since our inception, Allies’ priority population has been and continues to be children who are involved with child protective services. Our Foster Care/Adoption program seeks foster families who are driven by a desire to ensure that all children have a childhood that is equitable and just. Our social workers and licensed clinicians recruit and provide extensive training to equip foster parents with the skills necessary to parent a child who has suffered the inevitable trauma of family separation, and empower parents to be the nurturing, trusted caregivers that children need to feel safe and loved. Allies aims to provide families for children and youth who are disproportionately represented in the system, including older children and teens, sibling sets, children of color, and LGBTQIA+ youth, to help break the devastating outcomes associated with children who age out of foster care (homelessness, poverty, incarceration, etc.).

Allies is committed to keeping families together whenever possible. Our Family Preservation and related child welfare programming protects at-risk children of all ages by partnering with families who have been referred to us by the Los Angeles Department of Children and Family Services (DCFS) due to substantiated abuse or neglect, as well as other vulnerable families in the community. Families access a range of services aimed at healing and strengthening relationships to prevent need for further child welfare system involvement. Allies’ multidisciplinary team (overseen by licensed clinicians) addresses issues related to trauma, domestic violence, substance dependence, and parenting skills through in-home assessments, mental health services, and intensive case management. Additionally, frequent family activities and community events provide critical support by reducing social isolation, building resilience, and providing direct and concrete resources that reduce stress.

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

Early Education

Allies provides high-quality early education programs infused with trauma-informed multidisciplinary supports for very low-income children from birth to five years and their families, with priority placement for children in foster care and families experiencing homelessness. This programming is focused on social-emotional development and grounded in evidence-based curriculum that helps prepare children and families for school and beyond, supporting positive long-term developmental, educational, and physical/mental health outcomes. Allies' programs are data-driven and designed with the flexibility to be responsive to individual child and family needs, exceeding requirements set by funders and oversight bodies. Allies is able to provide this level of quality by strategically layering and leveraging private dollars and government contracts (e.g., California Department of Education (CDE), California Department of Social Services (CDSS), Early Head Start, etc.).

Allies' Early Education programs serve 500+ children each year in nurturing environments at our early education center, in our network of licensed childcare providers across Los Angeles, and in individual family homes. Our child development experts design developmentally appropriate and individualized lessons with a social-emotional, STEAM (science, technology, engineering, art, and math), and literacy focus. Children receive a healthy breakfast, lunch, and snack and spend time exploring in Allies' Children's Learning Garden. Because Allies knows caregiver engagement is imperative to children's long-term success, Allies nurtures relationships with families, partnering with them to support their children's learning and development through home visits, parent-teacher conferences, parenting groups, volunteer opportunities, and more. Allies' master's-level early education leadership team uses their extensive child development expertise to support educators through regular supervision and consistent, tailored professional development opportunities.

Comprehensive Services

Families' needs are deep, ongoing, persistent, and unique, so Allies invests in providing an array of vital, multidisciplinary supports tailored to meet the individual needs of children and families across all programs. For example, through our integrated Early Childhood Mental Health work, Allies provides trauma screenings and mental health services, including dyadic therapy, psycho-education groups, mental health consultation, and client-centered advocacy. A focus of this work is helping caregivers regulate so they can form a secure attachment with their child and buffer the impact of trauma. Additionally, Allies provides children and families with semiannual disabilities screenings and year-round advocacy, pediatric health consultations, dental and vision screenings, nutrition education, parenting groups, etc., and we work closely with a robust network of community partner agencies such as UCLA TIES for Families, Upward Bound House, Venice Family Clinic, St. Joseph Center, and Miriam's House to ensure families are connected with stable housing, medical care, etc.

COVID Response

Allies has continued to see a spike in need in our community as COVID has created new challenges related to poverty and childhood trauma. The population we serve is still disproportionately impacted by the economic, social, and psychological effects of the global pandemic. This has only made Allies' services and our team's trusting relationships with families that much more critical. In addition to the above programs and services, since March 2020 Allies has provided essential meal, grocery and supply deliveries and drive-through distributions, increased our remote mental health work, and found creative ways to keep families engaged and connected (research is clear about the connection between social isolation and children's increased vulnerability to maltreatment).

continued

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable are primarily receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Investments

Allies values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as other income. Short-term highly liquid money market deposits that are not used for operations are treated as investments.

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Allies is required to measure certain investments and donated goods and services at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

Allies places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. Allies has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2021 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Allies' receivables consist of earned fees from contract programs granted by governmental agencies.

Allies holds investments in the form of exchange-traded funds, mutual funds and short-term money market investments. The Board of Directors routinely reviews market values of such investments.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Property and equipment purchased with government contract funds are recorded at cost when purchased, and a correspondingly liability is recorded, since these items are deemed the property of the funding agency. When the property is no longer in use, it can revert back to the funding agency, or if the property is sold, the funding agency determines the use of the proceeds (see Note 7).

continued

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donated Goods and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2021, Allies received \$141,538 of services that satisfy the criteria for recognition (see Note 6).

Income Taxes

Allies is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Allies in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Allies' returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Allies' programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Allies uses salaries to allocate indirect costs.

Revenue and Revenue Recognition

Allies recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. As of June 30, 2021, Allies did not have any contributions categorized as conditional.

A portion of Allies' revenue is derived from federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Allies has incurred expenditures in compliance with specific contract or grant provisions.

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Allies' financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through December 17, 2021, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

Allies has \$6,629,861 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. Allies has a goal to maintain financial assets, which consist of cash and short-term investments and an available line of credit to meet 90 days of normal operating expenses, which are on average approximately \$2,550,000. Allies' committed line of credit is in the amount of \$1,200,000, which it could draw upon in the event of an unanticipated liquidity need.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents (without donor restrictions)	\$2,010,110
Accounts/contracts receivable	1,529,385
Operating investments	3,025,916
Promises to give without donor restrictions (due in less than one year)	<u>64,450</u>
	<u>\$6,629,861</u>

Allies also has in place fee-for-service government contracts which could produce approximately \$5,190,473 in earned revenue within the next year. In addition, there are cost reimbursement government contracts in place which could produce \$225,596 in earned revenue within the next year.

continued

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

4. Pledges Receivable

Pledges receivable of \$64,450 at June 30, 2021 are recorded at their realizable value and are due within one year and expected to be collected. As such, no allowance for doubtful pledges has been recorded and no discount on pledges has been recorded.

5. Investments

Investments are stated at fair value and consist of the following at June 30, 2021:

Equities and ETFs	\$1,519,858
Fixed income (bonds)	1,455,368
Cash, bank deposit program, and money market funds (Cash, BDP, MMFs)	<u>50,690</u>
Total investments	<u>\$3,025,916</u>

6. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2021 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities and ETFs	\$1,519,858	\$ -	\$ -	\$1,519,858
Bonds	<u>1,455,368</u>	<u> </u>	<u> </u>	<u>1,455,368</u>
	<u>\$2,975,226</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,975,226</u>

The fair value of exchange-traded and closed-end funds, mutual funds, money market funds and certificates of deposit have been measured on a recurring basis using unadjusted quoted prices for identical assets in active markets (Level 1 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated goods and services	<u>\$ -</u>	<u>\$141,538</u>	<u>\$ -</u>	<u>\$141,538</u>

The fair value of donated goods and services has been measured on a non-recurring basis using unadjusted quoted prices for similar assets in inactive markets (Level 2 inputs).

continued

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

7. Property and Equipment

Property and equipment at June 30, 2021 consist of the following:

	<u>Owned</u>	<u>Government Owned</u>	<u>Total</u>
Buildings and improvements	\$ 4,372,149	\$378,244	\$ 4,750,393
Land	988,897		988,897
Land held for development	746,441		746,441
Furniture and fixtures	586,001	41,166	627,167
Vehicles	<u>86,863</u>	<u>94,588</u>	<u>181,451</u>
	6,780,351	513,998	7,294,349
Less: accumulated depreciation	<u>(3,413,235)</u>		<u>(3,413,235)</u>
	<u>\$ 3,367,116</u>	<u>\$513,998</u>	<u>\$ 3,881,114</u>

Depreciation expense for the year ended June 30, 2021 was \$166,941.

Land held for development above relates to costs associated with a construction project commenced by Allies prior to 2002. Since that time, no additional costs have been incurred related to the original project and certain development costs which were determined to be expired were written off. It is still the intention of Allies to complete the project. Allies had a market value appraisal of the entire land at the property (which includes the land held for development) done on December 7, 2012, which indicated that the land value was \$4,850,000.

8. Accrued Liabilities

Accrued liabilities at June 30, 2021 consist of the following:

Child development fund reserve liability	\$ 534,501
Accrued vacation	260,605
Accrued payroll	239,483
Deferred compensation liability	221,536
Other accrued liabilities	<u>92,264</u>
	<u>\$1,348,389</u>

9. Accrued Unemployment Liability

Allies has elected to be self-insured for the purposes of California State Unemployment Insurance. The accrued unemployment liability at June 30, 2021 of \$126,253 represents estimated future claims arising from payroll paid until June 30, 2021. Unemployment expense for the year ended June 30, 2021 was \$34,372. Allies utilizes the services of an unemployment trust to handle its claims. The cash amount of \$111,884 held by the trust as a reserve for future claims is reflected as a separate cash line item in the Statement of Financial Position.

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ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

10. Paycheck Protection Program

In April 2020, Allies received loan proceeds in the amount of \$895,500 under the U.S. Small Business Administration (SBA) Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after a period of up to twenty-four weeks (the “covered period”) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral period for loan payments of either (1) the date that SBA remits the borrower’s loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower’s loan forgiveness covered period. Allies intends to use the proceeds for purposes consistent with the PPP guidelines.

Allies’ use of the loan proceeds met the conditions for forgiveness of the loan. As a result, on May 19, 2021, Allies’ PPP loan forgiveness application for \$895,500 was approved by the SBA. Revenue related to Allies’ PPP loan forgiveness for \$895,500 was recorded in the year ended June 30, 2021.

The SBA reserves the right to review any loan at their discretion and the SBA has indicated that it will review loans of \$2 million or more. Areas of review include eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. PPP loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.

11. Line of Credit

Allies has a revolving line of credit with a securities institution, in the amount of \$1,200,000, at an interest rate equal to the corresponding portfolio loan account index plus 2.50%. At June 30, 2021, Allies had no outstanding line of credit balance. Allies pledges its investments as collateral for outstanding amounts on the line of credit, when applicable.

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

12. Commitments and Contingencies

Obligations Under Operating Leases

Allies leases various facilities and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ending June 30,</u>	
2022	\$ 412,195
2023	306,191
2024	274,950
2025	<u>94,350</u>
	<u>\$1,087,686</u>

Rent expense under operating leases for the year ended June 30, 2021 was \$423,558.

Contracts

Allies' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Allies has no provisions for the possible disallowance of program costs on its financial statements.

For year ending June 30, 2021, Allies has a reserve of \$534,501 for its contracts with CDE/CDSS. The funds may be recorded as revenue (used) in the future, up to the maximum reimbursable amount (MRA), if Allies' CDE/CDSS year-end contract expenses are more than its days of care revenue.

Impact of COVID-19 Virus

Following the Los Angeles County, and State "Safer at Home" orders, Allies has been conducting its business activities under those isolation protocols. The long-term, overall financial impact of the COVID-19 virus on Allies cannot be foreseen at this time.

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

13. Fees and Contracts from Government Agencies

Fees from government agencies for the year ended June 30, 2021 consist of the following:

Child development	\$4,386,069
Head Start	1,861,126
Prevention and aftercare	519,753
Foster care	724,504
Family preservation	657,281
LA County First 5	88,742
Mental health	84,480
Nutrition	48,143
	<u>\$8,370,098</u>

14. Other Income

Other Income at June 30, 2021 consists of the following:

Unrealized gain on investments	\$325,705
Realized gain on sale of investments	83,369
Interest and dividend income	64,476
Investment gain, net	473,550
Other income	141,717
	<u>\$615,267</u>

15. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 consist of the following:

<u>Purpose Restrictions</u>	
Early education	\$102,000
Childhood mental health	84,702
Other	32,222
State of California CRRSA	27,799
COVID relief	15,921
Preschool block grant	11,139
	<u>\$273,783</u>

For the year ended June 30, 2021, total net assets released from purpose restrictions were \$8,732,136.

continued

ALLIES FOR EVERY CHILD, INC.

NOTES TO FINANCIAL STATEMENTS

16. Employee Benefit Plans

Allies instituted a 401(k)-matching plan in January 2016. Employees are eligible after six months of employment. Allies will match up to 50% of an employee contribution up to a maximum of 2% of an employee's earnings. Employer matching contributions are vested after one year.

Allies also has a deferred compensation plan under Section 457(b) of the Internal Revenue Code for highly compensated employees.

The employer contributions, under these plans for the year ended June 30, 2021, were \$48,322 for the 401(k) and the deferred compensation plans.