

**CHILDREN'S BUREAU OF
SOUTHERN CALIFORNIA,
CHILDREN'S BUREAU FOUNDATION,
AND CHILDREN'S BUREAU PALMDALE**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA,
CHILDREN'S BUREAU FOUNDATION AND
CHILDREN'S BUREAU PALMDALE**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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THE GLOBAL ADVISORY
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**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Boards of Directors
Children's Bureau of Southern California,
Children's Bureau Foundation, and
Children's Bureau Palmdale

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Children's Bureau of Southern California, Children's Bureau Foundation and Children's Bureau Palmdale (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023, and the consolidated changes in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

To the Boards of Directors
Children's Bureau of Southern California,
Children's Bureau Foundation, and
Children's Bureau Palmdale

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

To the Boards of Directors
Children's Bureau of Southern California,
Children's Bureau Foundation, and
Children's Bureau Palmdale

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position, consolidating statement of activities, schedule of expenditures of federal and non-federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Department of Social Services Form 12FFA are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The consolidating statement of financial position as of June 30, 2023 and the consolidating statement of activities for the year then ended (collectively the consolidating schedules), are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2023 on our consideration of the Organization'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 the Organizations 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 the Organization's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

December 14, 2023
Los Angeles, California

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA,
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

With Summarized Totals at June 30, 2022

ASSETS	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash	\$ 4,615,117	\$ 373,132	\$ 4,988,249	\$ 1,643,258
Restricted Cash	654,375	-	654,375	-
Investments	14,742,655	2,934,257	17,676,912	18,051,795
Accounts and Other Receivables	9,639,270	-	9,639,270	9,072,454
Pledges Receivable	-	812,250	812,250	2,276,118
Notes Receivable	9,635,550	-	9,635,550	-
Prepaid Expenses and Other Assets	689,297	-	689,297	567,291
Right-of-Use Assets	1,725,292	-	1,725,292	-
Property and Equipment (Net)	23,671,777	-	23,671,777	18,920,552
TOTAL ASSETS	\$ 65,373,333	\$ 4,119,639	\$ 69,492,972	\$ 50,531,468
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable	\$ 1,738,793	\$ -	\$ 1,738,793	\$ 1,760,154
Accrued Liabilities	3,710,663	-	3,710,663	5,848,731
Lease Liabilities	1,633,408	-	1,633,408	-
Deferred Revenue	495,851	-	495,851	252,353
Line of Credit	4,824,071	-	4,824,071	2,085,000
Notes Payable	13,170,000	-	13,170,000	-
TOTAL LIABILITIES	25,572,786	-	25,572,786	9,946,238
NET ASSETS:				
Without Donor Restrictions (Note 9)				
Undesignated	25,259,169	-	25,259,169	21,678,036
Board Designated	14,541,378	-	14,541,378	13,671,754
With Donor Restrictions (Note 10)	-	4,119,639	4,119,639	5,235,440
TOTAL NET ASSETS	39,800,547	4,119,639	43,920,186	40,585,230
TOTAL LIABILITIES AND NET ASSETS	\$ 65,373,333	\$ 4,119,639	\$ 69,492,972	\$ 50,531,468

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA,
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT:				
Government Grants and Contracts	\$ 44,427,342	\$ -	\$ 44,427,342	\$ 41,805,565
Contributions	1,179,751	2,135,702	3,315,453	4,012,546
Special Events (Net of Direct Donor Benefit Expenses of \$177,795)	488,179	-	488,179	720,354
Contributions In-Kind	538,287	-	538,287	857,665
Rental and Other Income	3,346,085	-	3,346,085	1,335,534
Net Assets Released from Donor Restrictions	3,518,436	(3,518,436)	-	-
TOTAL REVENUE AND SUPPORT	53,498,080	(1,382,734)	52,115,346	48,731,664
EXPENSES:				
Program Services	42,185,245	-	42,185,245	39,847,710
Management and General	6,987,567	-	6,987,567	5,155,543
Fundraising	1,331,742	-	1,331,742	1,099,301
TOTAL EXPENSES	50,504,554	-	50,504,554	46,102,554
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN	2,993,526	(1,382,734)	1,610,792	2,629,110
Investment Return (Net)	1,457,231	266,933	1,724,164	(2,866,700)
CHANGE IN NET ASSETS	4,450,757	(1,115,801)	3,334,956	(237,590)
Net Assets - Beginning of Year	35,349,790	5,235,440	40,585,230	40,822,820
NET ASSETS - END OF YEAR	\$ 39,800,547	\$ 4,119,639	\$ 43,920,186	\$ 40,585,230

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA,
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

	2023								
	Program Services			Supporting Services			Total Support Services	Total	2022 Total
	Child Abuse Prevention Services	Mental Health	Specialized Foster Care and Adoption	Total Program Services	Management and General	Fundraising			
Salaries	\$ 7,815,092	\$ 12,351,811	\$ 2,263,811	\$ 22,430,714	\$ 3,681,857	\$ 908,422	\$ 4,590,279	\$ 27,020,993	\$ 23,743,863
Employee Benefits and Payroll Taxes	1,834,540	2,767,963	547,200	5,149,703	761,632	157,813	919,445	6,069,148	5,642,840
TOTAL PERSONNEL COST	9,649,632	15,119,774	2,811,011	27,580,417	4,443,489	1,066,235	5,509,724	33,090,141	29,386,703
Professional and Temporary Services	3,615,587	1,337,345	72,829	5,025,761	539,759	64,022	603,781	5,629,542	5,710,229
Direct Client Services	452,695	49,974	1,942,333	2,445,002	-	-	-	2,445,002	2,479,539
Subcontractors	2,190,373	308,384.00	8,085	2,506,842	-	-	-	2,506,842	2,403,335
Occupancy	281,948	780,531	56,151	1,118,630	42,059	11,412	53,471	1,172,101	1,296,391
Depreciation	365,195	73,996	27,734	466,925	233,040	17,026	250,066	716,991	761,951
Computers and Software	154,289	174,715	17,023	346,027	309,142	25,175	334,317	680,344	592,395
Miscellaneous	60,887	94,781	31,732	187,400	347,538	81,661	429,199	616,599	193,857
Awareness Campaign	130,088	-	408,199	538,287	-	-	-	538,287	850,693
Travel	349,491	79,294	44,449	473,234	10,648	6,743	17,391	490,625	93,613
Communications	153,295	168,302	30,074	351,671	109,565	7,203	116,768	468,439	452,929
Insurance	25,109	7,723	47,034	79,866	374,225	1,729	375,954	455,820	412,053
Promotion and Outreach	180,077	177	-	180,254	218,412	4,706	223,118	403,372	197,323
Recruitment and Training	129,323	29,709	90,144	249,176	74,979	6,180	81,159	330,335	343,101
Dues and Subscriptions	34,935	57,754	27,726	120,415	189,160	9,359	198,519	318,934	315,055
Books and Supplies	267,353	13,757	3,378	284,488	7,091	3,196	10,287	294,775	275,899
Utilities	58,593	53,475	8,367	120,435	42,477	4,460	46,937	167,372	172,070
Equipment and Vehicle Expense	34,522	39,448	10,338	84,308	5,518	3,627	9,145	93,453	83,145
Printing and Postage	11,092	6,725	8,290	26,107	40,465	19,008	59,473	85,580	82,273
TOTAL 2023 FUNCTIONAL EXPENSES	<u>\$ 18,144,484</u>	<u>\$ 18,395,864</u>	<u>\$ 5,644,897</u>	<u>\$ 42,185,245</u>	<u>\$ 6,987,567</u>	<u>\$ 1,331,742</u>	<u>\$ 8,319,309</u>	<u>\$ 50,504,554</u>	
				84%	14%	2%	16%	100%	
TOTAL 2022 FUNCTIONAL EXPENSES	<u>\$ 16,378,815</u>	<u>\$ 17,482,684</u>	<u>\$ 5,986,211</u>	<u>\$ 39,847,710</u>	<u>\$ 5,155,543</u>	<u>\$ 1,099,301</u>	<u>\$ 6,254,844</u>		<u>\$ 46,102,554</u>
				86%	12%	2%	14%		100%

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA,
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 3,334,956	\$ (237,590)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	716,991	761,951
Loss on Disposal of Property and Equipment	153,540	-
Realized and Unrealized (Gains) Losses on Investments	(1,295,039)	3,062,484
(Increase) Decrease in:		
Accounts and Other Receivables	(566,816)	(2,858,776)
Pledges Receivable	1,463,868	(1,901,618)
Prepaid Expenses and Other Assets	(122,006)	111,535
Right-of-Use Assets	567,356	-
Increase (Decrease) in:		
Accounts Payable	(21,361)	(34,326)
Accrued Liabilities	(2,138,068)	(875,093)
Lease Liabilities	(659,240)	-
Deferred Revenue	243,498	(1,762,951)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,677,679	(3,734,384)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on Sale of Investments	5,033,333	4,036,942
Purchase of Investments	(3,363,411)	(4,151,065)
Purchase of Property and Equipment	(5,621,756)	(4,750,052)
NET CASH USED IN INVESTING ACTIVITIES	(3,951,834)	(4,864,175)
CASH FLOWS FROM FINANCING ACTIVITIES -		
Proceeds from Line of Credit (Net)	2,739,071	2,085,000
Proceeds from Notes Payable	3,534,450	-
Payments on Paycheck Protection Program Loan	-	(742,107)
NET CASH PROVIDED BY FINANCING ACTIVITIES	6,273,521	1,342,893
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	3,999,366	(7,255,666)
Cash and Restricted Cash - Beginning of Year	1,643,258	8,898,924
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 5,642,624</u>	<u>\$ 1,643,258</u>
RECONCILIATION OF CASH AND RESTRICTED CASH AT END OF YEAR		
Cash	\$ 4,988,249	\$ 1,643,258
Restricted Cash	654,375	-
TOTAL CASH AND RESTRICTED CASH AT END OF YEAR	<u>\$ 5,642,624</u>	<u>-</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW INFORMATION:		
Non-Cash Impact of Implementation of Accounting Standards Update No. 2016-02, <i>Leases (Topic 842)</i>		
Increase in Right-of-Use Assets	\$ 2,292,648	\$ -
Increase in Lease Liabilities	2,292,648	-

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA,
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - NATURE OF ORGANIZATION

Children's Bureau of Southern California (Children's Bureau) works to build the well-being of communities and families to ensure that children can thrive, free from the risk of child maltreatment and other forms of adversity.

Children's Bureau has been a nonprofit leader in child well-being since 1904. In 2023, Children's Bureau provided support to nearly 50,000 families across Southern California. With more than a century of experience in working with families, Children's Bureau has learned that because children develop so rapidly, every experience counts. That's why Children's Bureau works with families and communities to steer clear of problems they can see ahead - an innovative, proven approach known as primary prevention. Children's Bureau works with families who are facing serious stresses like financial strain, housing insecurity, or employment discrimination - stresses that research has shown can make it harder for families to tune in to children's needs. At family resource centers that Children's Bureau operates or supports, families get connected to community programs that can shore up their physical, financial, or emotional wellbeing. At the same time, Children's Bureau provides opportunities for families to expand their skills in building children's well-being including child development classes, parenting support groups, in-home visits, and family bonding activities. All of this helps to reduce the risk of challenges within the family - like abuse, neglect, or behavioral problems - but when problems arise, Children's Bureau is there to offer family coaching and mental health support. Children's Bureau helps families through the process of foster care or adoption and provide extra support for caregivers who have taken in a related child.

Children's Bureau takes pride in the way it partners with families and communities, who may have experienced trauma and often face racial injustice. Two current initiatives include Trauma Informed, Resilience-Oriented Care and Diversity, Equity, Inclusion and Belonging. These complementary approaches each position Children's Bureau to better understand families' challenges and build on their strengths.

While it's never too late to rebuild a family that has weathered storms like substance abuse, or family violence, it's easier and more effective to prevent serious problems from happening in the first place. Children's Bureau tackles the root causes of child abuse through our advocacy at the local, state, and national levels and elevate the voices of families themselves through community leadership programs.

Vision - Children thriving in strong families and communities.

Mission - Protecting vulnerable children through prevention, treatment and advocacy.

Children's Bureau receives substantial funding from county and state governmental agencies, with a portion of its funding originating from the federal government. Other foundation and corporate grants, as well as private donations, also make up a portion of the annual revenue and support.

Children's Bureau Foundation (the Foundation) was founded in 1987 for the specific and primary purpose of providing financial support exclusively to Children's Bureau.

Children's Bureau Palmdale is a separate 501(c)(3) organization that was established to facilitate a new market tax credit sale and leaseback transaction related to Children's Bureau's Palmdale Family Resource Center.

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA,
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Children's Bureau of Southern California, Children's Bureau Foundation, and Children's Bureau Palmdale (collectively, the Organization). Children's Bureau of Southern California and Children's Bureau Foundation share the same board of directors, while Children's Bureau Palmdale has its own separate board, but is still financially controlled by Children's Bureau of Southern California. The three legal entities are consolidated. All inter-organization balances and transactions have been eliminated upon consolidation.

(b) BASIS OF PRESENTATION

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

(c) NET ASSETS

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

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The Organization has \$25,259,169 of undesignated net assets without donor restrictions at June 30, 2023.

The Organization's Boards of Directors have designated, from net assets without donor restrictions, net assets for achieving their mission and strategic objectives of \$14,541,378 at June 30, 2023 (See Note 9). These are comprised of designations of \$3,345,060 to reinvest in agency-owned facilities and \$11,196,318 for operating reserves and strategic initiatives.

- **Net Assets With Donor Restrictions.** Net assets subject to donor-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 that 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. (See Note 10). The Organization has elected to adopt a policy whereby donor-restricted grants and contributions that were initially conditional or restricted and whose conditions or restrictions are met in the same reporting period are recognized as revenue without donor restrictions.

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA,
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CASH AND RESTRICTED CASH

The Organization maintains its cash in bank deposit accounts which, at time, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Organization maintains cash in bank deposit accounts held as reserves for its new market tax credit project for making quarterly interest payments on the notes payable. These reserves amounted to \$654,375 at June 30, 2023 and are classified as restricted cash.

(e) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value.

Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the consolidated statement of activities and represent current year changes in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

(f) ACCOUNTS AND OTHER RECEIVABLES

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2023, no allowance for doubtful accounts was considered necessary.

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA,
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) CONCENTRATION OF CREDIT RISKS

The Organization maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on these accounts.

Approximately 85% of the Organization's revenue and support is provided by various government agencies. The Organization anticipates that it will continue to run these programs although there can be no assurance that the Organization will be able to obtain future grant agreements upon the expiration of the current term of the contracts. Included in the accounts and other receivables balance outstanding at June 30, 2023 is \$9,615,007 of government contracts receivable due from county, state, and federal granting agencies. The Organization believes that credit risk related to these receivables is limited due to the number of customers in differing governmental agencies, as well as the creditworthiness of the U.S. Government.

(h) CONTRIBUTIONS AND PLEDGES RECEIVABLE

The Organization recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest are 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. Nonreciprocal contributions subject to donor-imposed restrictions are recorded as restricted support and are reclassified as net assets without donor restrictions when the donor-imposed restriction has been fulfilled or the stipulated time period has elapsed. Contributions with restrictions that are met during the fiscal year in which they are received are recorded as support without donor restrictions. Conditional contributions or intentions to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met. There were no conditional contributions at June 30, 2023. Pledges receivable at June 30, 2023 are due in their entirety within one year. Pledges receivable that are scheduled to be received after the end of the reporting period are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when time or purpose restrictions are fulfilled. The Organization evaluated the collectability of pledges receivable at June 30, 2023 and determined that no allowance for doubtful pledges was needed.

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June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost at the date of acquisition if purchased or at estimated fair value at the date of donation if donated. Depreciation and amortization are computed using the straight-line basis over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Buildings and Improvements	33 - 40 Years
Furniture and Equipment	3 - 15 Years
Leasehold Improvements	Lease Term

Expenditures for repairs and maintenance are charged to expense as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year.

(j) LONG-LIVED ASSETS

The Organization evaluates the carrying values of their long-lived assets for possible impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the year ended June 30, 2023.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received and expensed when utilized. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions in-kind are valued based upon estimates of fair market value that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor.

For the year ended June 30, 2023, contributions in-kind were comprised of the following:

Natural Expense Category	Restrictions	Valuation	Activity	Amount
Awareness Campaign	None	Vendor Quote	Foster Care	\$ 408,199
Books and Supplies	None	Standard industry price	Mental Health	130,088
TOTAL CONTRIBUTIONS IN-KIND REVENUE				\$ 538,287

(l) GOVERNMENT GRANTS AND CONTRACTS AND DEFERRED REVENUE

The Organization recognizes government contracts and grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. During the year ended June 30, 2023, all government contracts and grants are accounted for as contributions. The Organization's revenue is derived from nonreciprocal cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenditures up to an amount not to exceed the total contract authorized. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue of \$495,851 on the consolidated statement of financial position. Revenue based on units of service delivered contracts is recognized as units of service are delivered.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) LEASES

The Organization recognizes and measures its leases in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*.

The Organization is a lessee in certain operating leases for various office space and equipment. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable, or otherwise the Organization uses the risk-free rates. The implicit rates of the Organization's leases are not readily determinable and accordingly, the Organization uses the risk-free rates based on information available at the commencement date for all leases.

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

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June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) INCOME TAXES

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

In accordance with FASB ASC Topic 740, *Uncertainty in Income Taxes*, the Organization recognizes the impact of tax positions in the consolidated financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2023, the Organization performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the consolidated financial statements or which might have an effect on their tax-exempt status.

(o) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Organization's programs and other activities have been presented in the consolidated 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 supporting services by a method that best measures the relative degree of benefit. The Organization uses direct service staff compensation, full time equivalents and square footage to allocate indirect costs.

(p) USE OF ESTIMATES

The preparation of consolidated 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. Accordingly, actual results could differ from those estimates.

(q) COMPARATIVE TOTALS

The consolidated 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 the Organization's consolidated financial statements for the year ended June 30, 2022 from which the summarized information was derived.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. The new standard requires organizations that lease assets with terms of more than 12 months to recognize on the consolidated statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also requires disclosures to help consolidated financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the consolidated financial statements. The Organization adopted this ASU with a date of initial application of July 1, 2022 using the optional transition method which allows organizations to continue to apply historical accounting guidance in the comparative periods presented in the year of adoption. The Organization elected to apply the following package of practical expedients on a consistent basis, permitting organizations not to reassess: (i) whether any expired or existing contracts are or contain a lease; (ii) lease classification for any expired or existing leases and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance. In addition, the Organization applied the practical expedient to include both the lease and non-lease components as a single component and account for it as a lease.

The impact of adopting the amended guidance primarily relates to the recognition of ROU assets and lease liabilities on the consolidated statement of financial position for all leases previously classified as operating leases (Note 13). The Organization recognized \$2,292,648 of ROU assets and \$2,292,648 of related lease liabilities as of July 1, 2022, for contracts that are classified as operating leases. Leases with an initial term of 12 months or less have not been recorded on the consolidated statement of financial position.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. For the Organization, the ASU 2016-13 and subsequent amendments will be effective for the year ending June 30, 2024, and is expected to be adopted using the modified-retrospective approach.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2023 for items that should potentially be recognized or disclosed in these consolidated financial statements. No such events were noted. The evaluation was conducted through December 14, 2023, the date these consolidated financial statements were available to be issued.

NOTE 3 - INVESTMENTS

At June 30, 2023, investments consist of the following:

Money Market and Cash Equivalents	\$ 1,382,148
Mutual Funds:	
Income/Bond Funds	3,808,763
Alternative Strategy Funds	839,860
Corporate Stocks	11,462,068
Certificates of Deposit	<u>184,073</u>
TOTAL INVESTMENTS	<u>\$ 17,676,912</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

The Organization has implemented ASU No. 2018-13 *Fair Value Measurement (Topic 820)*, for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The following table presents information about the Organization's assets that are measured at fair value on a recurring basis at June 30, 2023 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market and Cash Equivalents	\$ 1,382,148	\$ 1,382,148	\$ -	\$ -
Mutual Funds:				
Income/Bond Funds	3,808,763	3,808,763	-	-
Alternative Strategy Funds	839,860	839,860	-	-
TOTAL MUTUAL FUNDS	4,648,623	4,648,623	-	-
Corporate Stocks	11,462,068	11,462,068	-	-
Certificates of Deposit	184,073	-	184,073	-
TOTAL INVESTMENTS	<u>\$ 17,676,912</u>	<u>\$ 17,492,839</u>	<u>\$ 184,073</u>	<u>\$ -</u>

The fair values of marketable securities within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The fair value of the certificates of deposit within Level 2 have been determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

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June 30, 2023

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023:

Land	\$ 6,205,000
Buildings and Improvements	17,062,051
Construction in Progress	7,578,556
Furniture and Equipment	1,775,763
Leasehold Improvements	<u>794,659</u>
TOTAL	33,416,029
Less: Accumulated Depreciation	<u>(9,744,252)</u>
PROPERTY AND EQUIPMENT (NET)	<u>\$ 23,671,777</u>

Depreciation expense for the year ended June 30, 2023 was \$716,991. Estimated costs to complete the construction in progress are \$1,850,000 and relate to the purchase, remodel and expansion of the new Palmdale facility where various services will be delivered. The facility was funded by contributions and the New Market Tax Credit program.

NOTE 6 - ACCRUED LIABILITIES

Accrued liabilities consist of the following at June 30, 2023:

Accrued Vacation	\$ 1,075,132
Accrued Payroll and Benefits	1,013,509
Government Contract Reserve (Note 14b)	584,500
Reserve for Unemployment Liability (Note 7)	375,000
Other Accrued Liabilities	419,085
Pension Liabilities	<u>243,437</u>
TOTAL ACCRUED LIABILITIES	<u>\$ 3,710,663</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 - RESERVE FOR UNEMPLOYMENT

The Organization has elected to be self-insured for the purposes of California State Unemployment Insurance. The reserve for unemployment liability at June 30, 2023 of \$375,000 (included in accrued liabilities) represents estimated future claims arising from current and past employees. Unemployment expense for the year ended June 30, 2023 was \$129,439.

	Gross Claims Liability	Estimated Insurance Recoveries	Net Claims Liability
Balance at July 1, 2022	\$ 375,000	\$ -	\$ 375,000
Self-Insurance Expenses Incurred	129,439	-	129,439
Payments Made to Fund Related Liabilities	(129,439)	-	(129,439)
<i>BALANCE AT JUNE 30, 2023</i>	<i>\$ 375,000</i>	<i>\$ -</i>	<i>\$ 375,000</i>

NOTE 8 - LINE OF CREDIT

The Organization has a revolving line of credit with Bank of America dated April 13, 2021, in the amount of \$8,000,000 that is due on demand. The line of credit bears interest at the SOFR daily floating rate plus 1%. The line is collateralized with certain brokerage accounts. At June 30, 2023, \$4,824,071 was due on the line of credit.

The daily SOFR rate was 5.065% at June 30, 2023.

NOTE 9 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at June 30, 2023:

Undesignated	\$ 25,259,169
Board Designations for Facilities, Operating Reserves and Strategic Initiatives	<u>14,541,378</u>
<i>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</i>	<i>\$ 39,800,547</i>

Board Designations: These are comprised of net assets without donor restrictions which the Boards of Directors have designated for reinvestment in agency-owned facilities, for operating reserves and for strategic initiatives.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2023:

Subject to Expenditure for Specified Purpose:	
Magnolia Community Initiative	\$ 160,832
Palmdale Family Resource Center	500,000
Orange County Support	188,848
Subject to Passage of Time:	
Time Restrictions	335,702
Subject to Endowment Spending Policy and Appropriation:	
Donor Restricted Endowment (Note 11)	1,627,879
Unspent Earnings on Endowment (Note 11)	<u>1,306,378</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u><u>\$ 4,119,639</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023:

Satisfaction of Purpose Restrictions:	
Magnolia Community Initiative	\$ 182,284
Palmdale Family Resource Center	3,000,000
Other	73,652
Satisfaction of Passage of Time:	
Time Restrictions	<u>262,500</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u><u>\$ 3,518,436</u></u>

NOTE 11 - ENDOWMENTS

The Organization's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts and bequests to either provide a permanent endowment, which is to provide a permanent source of income to the Organization, or a term endowment, which is to provide income for a specified period to the Organization.

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NOTE 11 - ENDOWMENTS (continued)

The Organization's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

As a result, endowments include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. Accumulated earnings as well as gains and losses related to endowment assets are classified as with donor restrictions until they are either appropriated by the Boards of Directors for use in current operations or in accordance with donor stipulations.

The investment objective of the endowment funds is to attain a total return that provides for preservation of principal and long-term growth in real terms. To achieve this investment objective, the endowment funds are invested in accordance with the investment policy of the Organization.

The Organization's Boards of Directors determine the utilization of the endowment funds each year with reference to specific donor instructions. This utilization is incorporated into the Organization's annual budget, which is approved by the Boards of Directors each year. In accordance with California law, the original corpus (historical cost) of each endowment gift cannot be utilized.

Endowment Net Asset Composition by Type of Fund at June 30, 2023	Without Donor Restrictions	With Donor Restrictions- Unspent Endowment Earnings	With Donor Restrictions- Permanent Endowment	Total
Donor-Restricted	\$ -	\$ 1,306,378	\$ 1,627,879	\$ 2,934,257
Changes in Endowment Net Assets for the Year Ended June 30, 2023				
Endowment Net Assets - Beginning of Year	\$ -	\$ 1,039,445	\$ 1,627,879	\$ 2,667,324
Contributions	-	-	-	-
Investment Return (Net)	-	266,933	-	266,933
Appropriation of Endowment Assets for Expenditure	-	-	-	-
ENDOWMENT NET ASSETS - END OF YEAR	\$ -	\$ 1,306,378	\$ 1,627,879	\$ 2,934,257

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - EMPLOYEE BENEFIT PLANS

The Organization sponsors a defined contribution 401(k) plan that covers all eligible employees. Effective December 1, 2014, the retirement plan initiated a matching opportunity. For each plan year, the Organization may make a discretionary matching contribution equal to a uniform percentage of an employee's salary deferrals. For the year ended June 30, 2023, the Organization matched 50 cents per dollar of employee contributions up to 4% of total compensation. The Organization's contributions to this plan for the year ended June 30, 2023 were \$932,795.

NOTE 13 - OPERATING LEASES

The Organization leases various office space and equipment under agreements which are accounted for as operating leases. The operating leases have varying expirations through October 2027. The leases include options to renew, with renewal terms generally ranging from one to five years. The exercise of lease renewal options is at the Organization's discretion. The Organization is not reasonably certain of exercising the options to renew and has chosen not to include the renewal terms in the calculation of the ROU asset and related lease liability. As of June 30, 2023, the Organization recognized \$1,725,292 of ROU assets and \$1,633,408 of related lease liabilities for contracts that are classified as operating leases.

Lease cost totaled \$659,240 for the year ended June 30, 2023. As of June 30, 2023, the weighted average remaining lease terms of operating leases are approximately 3.26 years. The weighted average discount rate used to determine the lease liabilities as of June 30, 2023 for the operating leases was approximately 2.93%, which represents the risk-free rate for the remaining lease term at the time of the standard implementation.

Maturities of lease liabilities as of June 30, 2023 are as follows:

Year Ending June 30

2024	\$ 620,072
2025	471,648
2026	291,639
2027	252,303
2028	<u>68,779</u>
TOTAL FUTURE LEASE PAYMENTS	1,704,441
Less: Imputed Interest	<u>(71,033)</u>
TOTAL	<u><u>\$ 1,633,408</u></u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 - COMMITMENTS AND CONTINGENCIES

(a) LEGAL PROCEEDINGS

The Organization is subject to various legal proceedings in the normal course of business. In the opinion of management, based upon the information presently known, the ultimate liability, if any, arising from such pending legal proceedings, as well as from asserted legal claims and known potential legal claims which are likely to be asserted are not expected to be material individually or in the aggregate to the consolidated financial position, activities or cash flows of the Organization.

(b) CONTRACTS

The Organization's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. 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. The Organization has established a reserve of \$584,500 related to state and local government contracts that is included in accrued liabilities. Except as mentioned, the Organization has no other provisions on their consolidated financial statements for the possible disallowance of program costs related to any of their other governmental contracts and grants.

NOTE 15 - NEW MARKET TAX CREDIT FUNDING

The New Market Tax Credit (NMTC) program is a federal subsidy program for economic development of depressed areas. The NMTC program is designed to stimulate the flow of investment capital into underserved areas by providing tax credit investment in a 'low-income community', which is claimed over a seven-year credit allowance period. On March 16, 2023, the Organization closed a NMTC transaction of \$13.5 million to complete its Palmdale project (new facility).

The NMTC funding was utilized as follows:

Acquisition, Design, Construction of Palmdale Campus	\$ 5,563,874
Land	3,100,000
Funds Reserved to Complete Palmdale Construction	3,401,126
Interest Reserve Funds	682,025
NMTC Fees and Consulting Costs	752,975
TOTAL	<u>\$ 13,500,000</u>

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NOTE 15 - NEW MARKET TAX CREDIT FUNDING (continued)

The NMTC structure included a loan in the amount of \$9,635,550 from the Organization to Twain Investment Fund 718, LLC. These funds, together with investment funds of approximately \$3,594,450 from U.S. Bancorp Community Development Corporation (NMTC Investor) were used to fund New Markets Community Capital XXXIV, LLC, a community development entity (CDE), which, in turn, loaned the funds to Children's Bureau Palmdale, a 501(c)(3) organization established to facilitate the NMTC sale and leaseback transaction. On March 16, 2030, the end of the seven-year NMTC term, the Organization has an option to exercise the Investment Fund Put and Call Agreement.

Children's Bureau of Southern California has the following note receivable from Twain Investment Fund 718, LLC at June 30, 2023:

Note Receivable – Twain Investment Fund 718, LLC, Interest at 1.00% Per Annum, Interest Only Payments Quarterly in Arrears until March 2030, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2057	\$ 9,635,550
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Future principal collections on the note receivable are as follows:

Year Ended June 30

2024	\$	-
2025		-
2026		-
2027		-
2028		-
Thereafter		9,635,550
TOTAL NOTE RECEIVABLE		<u><u>\$ 9,635,550</u></u>

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NOTE 15 - NEW MARKET TAX CREDIT FUNDING (continued)

Children's Bureau Palmdale has the following notes payable at June 30, 2023:

Note Payable, related party - CDE Loan A, Interest at 1.488% Per Annum, Interest Only Payments Quarterly in Arrears until March 2030, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2057	\$ 9,635,550
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Note Payable, related party - CDE Loan B, Interest at 1.488% Per Annum, Interest Only Payments Quarterly in Arrears until March 2030, Thereafter Installments of Principal and Interest Quarterly in Arrears, Maturing March 2057	<u>3,594,450</u>
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TOTAL NOTES PAYABLE	13,230,000
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Less: Unamortized Debt Issuance Costs	<u>(60,000)</u>
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TOTAL NOTES PAYABLE, NET	<u><u>\$ 13,170,000</u></u>
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Year Ended June 30

2024	\$	-
2025		-
2026		-
2027		-
2028		-
Thereafter		<u>13,230,000</u>

TOTAL NOTES PAYABLE	<u>13,230,000</u>
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Less: Unamortized Debt Issuance Costs	<u>(60,000)</u>
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TOTAL NOTES PAYABLE, NET	<u><u>\$ 13,170,000</u></u>
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In accordance with the interest reserve disbursement agreement, the Organization is required to maintain an interest reserve account for making quarterly interest payments on the notes payable. At June 30, 2023, the balance in the interest reserve account was \$654,375 and is reflected as restricted cash on the consolidated statement of financial position.

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CHILDREN'S BUREAU PALMDALE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Organization at June 30, 2023 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table:

Financial Assets at June 30, 2023:	
Cash	\$ 4,988,249
Investments	17,676,912
Accounts Receivable (Net of Contract Reserves)	9,054,770
Pledges Receivable (Net)	<u>812,250</u>
TOTAL FINANCIAL ASSETS AT JUNE 30, 2023	32,532,181
Less Amounts Not Available to Be Used within One Year, Due to:	
Donor-Imposed Restrictions:	
Funds Held for Permanent Endowments	(1,627,879)
Unspent Endowment Earnings	(1,306,378)
Funds Restricted by Purpose	(373,132)
Pledges Restricted by Purpose or Time	(812,250)
Board Designations:	
Amounts Set Aside to Reinvest in Agency Owned Facilities	(3,345,060)
Amounts Set Aside for Operating Reserves and Strategic Initiatives	<u>(11,196,318)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 13,871,164</u>

The Organization regularly monitors liquidity required to meet their operating needs and other contractual commitments, while also striving to maximize the investment of their available funds. The Organization is substantially supported by government grants and contracts, and contributions without donor restrictions. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as their general expenditures, liabilities, and other obligations come due.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and a line of credit.

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA,
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2023

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

The Organization's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 11, the endowment earnings will be appropriated by the Boards of Directors for use in current operations or in accordance with donor stipulations.

The board designated reserve fund was established by the Boards of Directors for funds to be drawn on in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or setting financial liabilities. The Boards of Directors designate a portion of operating surplus, if any, from time to time, to this reserve fund. These funds may be spent at the discretion of the Boards of Directors.

In the event of an unanticipated liquidity need, the Organization also could draw upon \$3,175,929 of available funding under the line of credit (refer to Note 8).

**CHILDREN'S BUREAU OF
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SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2023**

ASSETS	Children's Bureau of Southern California	Children's Bureau Foundation	Children's Bureau Palmdale	Eliminations	Total
Cash	\$ 2,358,618	\$ -	\$ 2,629,631	\$ -	\$ 4,988,249
Restricted Cash	-	-	654,375	-	654,375
Investments	17,676,912	-	-	-	17,676,912
Accounts and Other Receivables	9,639,270	-	-	-	9,639,270
Pledges Receivable	812,250	-	-	-	812,250
Notes Receivable	9,635,550	-	-	-	9,635,550
Prepaid Expenses and Other Assets	654,074	-	35,223	-	689,297
Right-of-Use Operating Lease Asset	9,379,415	-	-	(7,654,123)	1,725,292
Property and Equipment (Net)	13,423,065	-	10,248,712	-	23,671,777
TOTAL ASSETS	\$ 63,579,154	\$ -	\$ 13,567,941	\$ (7,654,123)	\$ 69,492,972
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts Payable	\$ 1,738,793	\$ -	\$ -	\$ -	\$ 1,738,793
Accrued Liabilities	3,710,663	-	-	-	3,710,663
Operating Lease Liability	9,287,531	-	-	(7,654,123)	1,633,408
Deferred Revenue	495,851	-	-	-	495,851
Line of Credit	4,824,071	-	-	-	4,824,071
Notes Payable	-	-	13,170,000	-	13,170,000
TOTAL LIABILITIES	20,056,909	-	13,170,000	(7,654,123)	25,572,786
NET ASSETS:					
Without Donor Restrictions (Note 9)					
Undesignated	24,861,228	-	397,941	-	25,259,169
Board Designated	14,541,378	-	-	-	14,541,378
With Donor Restrictions (Note 10)	4,119,639	-	-	-	4,119,639
TOTAL NET ASSETS	43,522,245	-	397,941	-	43,920,186
TOTAL LIABILITIES AND NET ASSETS	\$ 63,579,154	\$ -	\$ 13,567,941	\$ (7,654,123)	\$ 69,492,972

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

**CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2023**

	Children's Bureau of Southern California	Children's Bureau Foundation	Children's Bureau Palmdale	Eliminations	Total
REVENUE AND SUPPORT:					
Government Grants and Contracts	\$ 44,427,342	\$ -	\$ -	\$ -	\$ 44,427,342
Special Events (Net of Direct Donor Benefit Expenses of \$177,795)	488,179	-	-	-	488,179
Contributions In-Kind	538,287	-	-	-	538,287
Rental and Other Income	3,346,085	-	-	-	3,346,085
TOTAL REVENUE AND SUPPORT	52,115,346	-	399,342	(399,342)	52,115,346
EXPENSES:					
Program Services	42,185,245	-	-	-	42,185,245
Management and General	7,385,508	-	1,401	(399,342)	6,987,567
Fundraising	1,331,742	-	-	-	1,331,742
TOTAL EXPENSES	50,902,495	-	1,401	(399,342)	50,504,554
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN	1,212,851	-	397,941	-	1,610,792
Investment Return (Net)	1,724,164	-	-	-	1,724,164
CHANGE IN NET ASSETS	2,937,015	-	397,941	-	3,334,956
Net Assets - Beginning of Year	40,585,230	-	-	-	40,585,230
NET ASSETS - END OF YEAR	\$ 43,522,245	\$ -	\$ 397,941	\$ -	\$ 43,920,186

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA
CHILDREN'S BUREAU FOUNDATION, AND
CHILDREN'S BUREAU PALMDALE**

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
Year Ended June 30, 2023

Grantor/Passed Through Grantor/Program or Cluster Title	Passed Through Entity Identifying Number or Contract Number	Federal ALN Number	Governmental Revenue		Program Expenditures from Governmental Revenue	Amounts Paid to Subrecipients
			Federal	Non-Federal		
FEDERAL AWARDS						
U.S. Department of Health and Human Services:						
Passed through State of California Department of Social Services:						
Foster Care - Title IV-E (a)	07-021-12	93.658	\$ 993,010	\$ 2,979,029	\$ 3,972,039	\$ -
Adoption Assistance		93.659	218,000	218,000	436,000	-
Passed through State of California Department of Social Services:						
Child Abuse Prevention and Treatment Act Strategies	STRCB/20-23	93.590	152,698	356,294	508,992	-
Planting Prosperity	PP-CB/22-25	93.590	-	7,883	7,883	-
Passed through County of Orange Social Services Agency						
Promoting Safe and Stable Families:						
Families and Communities Together Program	FBP0520	93.556	360,822	-	360,822	-
Families and Communities Together Program	FBP0820	93.556	138,250	-	138,250	-
Families and Communities Together Program	FBP0620	93.556	369,061	-	369,061	-
Families and Communities Together Program	FBP0720	93.556	288,938	-	288,938	-
Families and Communities Together Program	FMK1020	93.556	121,104	-	121,104	-
			1,278,175	-	1,278,175	-
Passed through County of Los Angeles, Department of Children and Family Services:						
Adoption Promotions Supporting Services	20-01-04 & 06	93.556	565,088	-	565,088	-
Passed through County of Los Angeles, Department of Children and Family Services:						
Prevention and Aftercare Services (Subcontract)		93.556	126,119	-	126,119	-
Prevention and Aftercare Services	21-03-06	93.556	1,815,903	-	1,815,903	697,498
State of California Department of Public Health						
Passed through County of Los Angeles, Department of Public Health (a)	PH-003173	93.778	622,381	-	622,381	-
Department of Public Health	PH-004807		-	375,892	375,892	-
Department of Public Health	PH-003675		-	559,116	559,116	-
Department of Public Health - CHVP Special Support Project	PH-004807-3	93.870	38,144	-	38,144	-
Department of Public Health	PH-005008	21.027	137,466	-	137,466	-
Department of Public Health	PH-004032	93.569	25,946	-	25,946	-
			1,942,022	-	1,942,022	697,498
U.S. Committee for Refugees and Immigrants:						
Office of Refugee Resettlement: Post Release Services for Unaccompanied Alien Children Program (a)	90ZU0064	93.676	3,969,831	-	3,969,831	-
Total U.S. Department of Health and Human Services			9,118,824	3,561,206	12,680,030	697,498

See Independent Auditor's Report

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA
CHILDREN'S BUREAU FOUNDATION, AND
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SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
Year Ended June 30, 2023

Grantor/Passed Through Grantor/Program or Cluster Title	Passed Through Entity Identifying Number or Contract Number	Federal ALN Number	Governmental Revenue		Program Expenditures from Governmental Revenue	Amounts Paid to Subrecipients
			Federal	Non-Federal		
U.S. Department of Housing and Urban Development:						
Passed through City of Huntington, Department of Economic Development:						
Community Development Block Grants/Entitlement Grants	B-08-MC-06-0506	14.218	\$ 84,423	\$ -	\$ 84,423	\$ -
Total U.S. Department of Housing and Urban Development			84,423	-	84,423	-
State of California Department of Education:						
State Preschool Program	CSPP-2168		-	731,900	731,900	-
Child and Adult Care Food Program	05208-CACFP-19-NP	10.558	26,706	-	26,706	-
TOTAL FEDERAL AWARDS			10,053,890	5,228,114	15,282,004	697,498
(a) Audited as a Major Program						

See Independent Auditor's Report

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA
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SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
Year Ended June 30, 2023

	Passed Through Entity Identifying Number or Contract Number	Federal ALN Number	Governmental Revenue		Program Expenditures from Governmental Revenue	Amounts Paid to Subrecipients
			Federal	Non-Federal		
NON-FEDERAL AWARDS						
County of Los Angeles, Department of Children and Family Services						
Community Child Abuse Council	78371		\$ -	\$ 108,510	\$ 108,510	\$ -
Relative Support Service	15-001-28		-	258,216	258,216	-
Partnership for Families			-	63,293	63,293	-
State of California Department of Social Services						
CDSS Expansion	213124		-	3,203,148	3,203,148	-
Community Schools - AESD Subcontract	PO-S04R1115		-	178,851	178,851	-
State of California Department of Mental Health						
Passed through County of Los Angeles,						
Department of Mental Health	MH132159		-	21,562,550	21,562,550	-
Department of Mental Health	WRAP			18,672	18,672	-
OC CalOptima MHSA			-	305,978	305,978	-
Innovations 2 (PLN subcontract)			-	180,360	180,360	-
Grantor/Passed Through Grantor/Program or Cluster Title						
State of California Department of Health Services						
Passed through County of Los Angeles,						
Department of Health Services			-	73,691	73,691	-
State of California:						
Passed through Children and Families Commission of Orange County:						
Infants-Toddlers Home Visitation Program	FCI-BN4-12		-	741,362	741,362	-
Infants CalWorks Program	FCI-HVP-03		-	615,148	615,148	-
OC TCM			-	29,372	29,372	-
			-	1,385,882	1,385,882	-

See Independent Auditor's Report

**CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA
CHILDREN'S BUREAU FOUNDATION, AND
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SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
Year Ended June 30, 2023

	Passed Through Entity Identifying Number or Contract Number	Federal ALN Number	Governmental Revenue		Program Expenditures from Governmental Revenue	Amounts Paid to Subrecipients
			Federal	Non-Federal		
State of California:						
Passed through County of Los Angeles Proposition 10						
Commission - First 5 LA:						
Regional Support Network	#10076		\$ -	\$ 1,621,105	\$ 1,621,105	\$ -
Select Home Visitation Program	#00831		-	60,614	60,614	-
Healthy Strategy 1 - HMG Initiative	#10250		-	124,468	124,468	-
			-	1,806,187	1,806,187	-
TOTAL NON-FEDERAL AWARDS			-	29,145,338	29,145,338	-
TOTAL FEDERAL AND NON-FEDERAL AWARDS			<u>\$ 10,053,890</u>	<u>\$ 34,373,452</u>	<u>\$ 44,427,342</u>	<u>\$ 697,498</u>

Notes to the Schedule of Expenditures of Federal and Non-Federal Awards for the Year Ended June 30, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Non-Federal Awards (Schedule) includes the Federal award activity of the Organization under programs of the Federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The Organization has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Sub-Recipients

The Organization has provided certain federal awards to subrecipients from the Federal expenditures presented in this Schedule.

See Independent Auditor's Report

CHILDREN'S BUREAU OF SOUTHERN CALIFORNIA
Department of Social Services Form 12FFA

TOTAL PROGRAM COST DISPLAY (FCR 12FFA)

SUBMIT ONE FOR EACH PROGRAM

Number of months in cost reporting period TWELVE

CORPORATE/LICENSEE NAME		PROGRAM NAME (IF DIFFERENT)		CORPORATE NUMBER		PROGRAM NUMBER		REPORTING PERIOD	
Children's Bureau of So. California		Specialized Foster Care		D-C01-957		0252.01.03		7/1/22 - 6/30/23	
LINE	(1)	(2)	(3)	(4)	(5)	(6)	(7)		
	LINE ITEMS OF COST	TOTAL (COLS. 3 THRU 6)	ADMINISTRATION	RECRUITMENT	TRAINING	SOCIAL WORK	EXPLANATION		
100a	Executive Director Salary	\$ 59,311	\$ 59,311	\$ -	\$ -	\$ -	Portion of Agency's ED allocated to FFA program.		
100b	Assistant Director Salary	-	-	-	-	-	Portion of Agency's AD allocated to FFA program.		
100c	Administrator Salary	137,465	137,465	-	-	-	Portion of Program Director's time allocated to FFA.		
100d	All Other Administrative Salaries	1,041,969	1,041,969	-	-	-	Administrative salaries charged to FFA programs.		
101	Recruitment Payroll	71,630	-	71,630	-	-	Recruitment salaries for FFA programs.		
102	Training Payroll	54,139	-	-	54,139	-	Training salaries for FFA programs.		
110	Administrative Contracts	-	-	-	-	-	Allocated based on % of salaries in each category.		
121	Telephone and Telegraph	20,845	11,642	673	509	8,021	Allocated based on % of salaries in each category.		
122	Postage and Freight	6,099	3,406	197	149	2,347	Allocated based on % of salaries in each category.		
123	Office Supplies	860	480	28	21	331	Allocated based on % of salaries in each category.		
132	Conferences, Meetings, In-Service Training	6,886	3,846	222	168	2,650	Allocated based on % of salaries in each category.		
133	Memberships, Subscriptions, Dues	14,075	7,861	455	343	5,416	Allocated based on % of salaries in each category.		
134	Printing, Publications	47	26	2	1	18	Allocated based on % of salaries in each category.		
135	Bonding, General Insurance	45,127	25,203	1,458	1,101	17,365	Allocated based on % of salaries in each category.		
137	Advertising	70,944	-	70,944	-	-			
138	Miscellaneous	25,563	-	-	-	25,563	Allocated based on % of salaries in each category.		
		1,554,960	1,291,209	145,609	56,431	61,711			
200	Building and Equipment Payroll						Allocated based on % of salaries in each category.		
211	Building Rents and Leases	39,913	-	-	-	39,913	Allocated based on % of salaries in each category.		
214	Acquisition Mortgage Principal & Interest	-	-	-	-	-			
215	Property Appraisal Fees	-	-	-	-	-			
216	Property Taxes	432	241	14	11	166	Allocated based on % of salaries in each category.		
217	Building and Equipment Insurance	-	-	-	-	-			
221	Utilities	4,941	2,759	160	121	1,901	Allocated based on % of salaries in each category.		
222	Building Maintenance	12,230	6,831	395	298	4,706	Allocated based on % of salaries in each category.		
223	Building and Equipment Contracts	2,240	1,251	72	55	862	Allocated based on % of salaries in each category.		
224	Building and Equipment Supplies	346	194	11	8	133	Allocated based on % of salaries in each category.		
225	Equipment Leases	3,633	2,029	117	89	1,398	Allocated based on % of salaries in each category.		
226	Equipment Depreciation Expense	21,407	11,956	691	522	8,238	Allocated based on % of salaries in each category.		
227	Expendable Equipment	-	-	-	-	-			
228	Building and Equipment Miscellaneous	-	-	-	-	-			
241	Vehicle Leases	-	-	-	-	-			
242	Vehicle Depreciation	-	-	-	-	-			
243	Vehicle Operating Costs	36,870	36,870	-	-	-	Allocated based on % of salaries in each category.		
		122,012	62,131	1,460	1,104	57,317			
350	Total Paid to Certified Family Homes	1,887,925	-	-	-	1,887,925	100% social work.		
352	Other Child-Related Costs, Not Provided by Certified Family Homes	-	-	-	-	-			
		1,887,925	-	-	-	1,887,925			
410	Social Worker Payroll and/or Social Worker Contract	853,498	-	-	-	853,498	100% social work.		
440	Direct Care Contracts	40,680	-	-	-	40,680	100% social work.		
		894,178	-	-	-	894,178			
500	TOTAL EXPENSES	\$ 4,459,075	\$ 1,353,340	\$ 147,069	\$ 57,535	\$ 2,901,131			

See Independent Auditor's Report