MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
(With Independent Auditor's Report Thereon)

JUNE 30, 2019

(With Summary Information for June 30, 2018)

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
JUNE 30, 2019

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FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mother's Club Family Learning Center
dba Families Forward Learning Center
Pasadena, California

We have audited the accompanying financial statements of Mother's Club Family Learning Center dba Families Forward Learning Center (a Not-For-Profit), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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To the Board of Directors
Mother's Club Family Learning Center
dba Families Forward Learning Center
Pasadena, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mother's Club Family Learning Center dba Families Forward Learning Center as of June 30, 2019 and 2018, 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.

Report on Comparative Information

In our opinion, the comparative information presented herein as of and for the year ended June 30, 2018, 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 11, 2019, on our consideration of Mother's Club Family Learning Center dba Families Forward Learning Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Mother's Club Family Learning Center dba Families Forward Learning Center's internal control over financial reporting and compliance.

Fechter & Company,
Certified Public Accountants

Fechter & Company, CPAs

Sacramento, California
December 11, 2019

FINANCIAL STATEMENTS

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statement of Financial Position
June 30, 2019
With Summarized Financial Information as of June 30, 2018

ASSETS	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
TOTAL CURRENT ASSETS				
Cash	$ 92,571	$ -	$ 92,571	$ 199,369
Investments at fair value	799,813	386,852	1,186,665	1,396,285
Grants and accounts receivable	175,423	-	175,423	230,123
Prepaid expenses	3,262	-	3,262	2,098
TOTAL CURRENT ASSETS	1,071,069	386,852	1,457,921	1,827,875
Property and equipment, net (Note 10)	4,977,568	-	4,977,568	5,059,983
TOTAL ASSETS	$ 6,048,637	$ 386,852	$ 6,435,489	$ 6,887,858
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and other accruals	$ 83,444	$ -	$ 83,444	$ 45,644
Cash held with others	-	-	-	3,428
Accrued vacation	26,701	-	26,701	36,190
TOTAL CURRENT LIABILITIES	110,145	-	110,145	85,262
NET ASSETS				
Without donor restrictions	5,938,492	-	5,938,492	6,445,819
With donor restrictions:				
Foundation	-	7,119	7,119	-
Endowment unappropriated	-	119,105	119,105	96,149
Capital maintenance	-	100,000	100,000	100,000
Kujawa staff development	-	37,128	37,128	37,128
Endowment	-	123,500	123,500	123,500
TOTAL NET ASSETS	5,938,492	386,852	6,325,344	6,802,596
TOTAL LIABILITIES AND NET ASSETS	$ 6,048,637	$ 386,852	$ 6,435,489	$ 6,887,858

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statement of Activities
June 30, 2019
With Summarized Financial Information as of June 30, 2018

SUPPORT AND REVENUE	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support:				
Government contracts	$ 46,614	$ 751,127	$ 797,741	$ 732,596
Contributions	279,601	262,046	541,647	748,202
Donated Services	19,000	-	19,000	49,342
Special Events	134,257	-	134,257	126,331
Total Support	$ 479,472	$ 1,013,173	$ 1,492,645	$ 1,656,471
Revenues:				
Investment income	69	-	69	79,888
Net unrealized/realized gain (loss) on investments	(5,591)	-	(5,591)	99,553
Total Revenue	(5,522)	-	(5,522)	179,441
Net assets released from restrictions	983,098	(983,098)	-	-
Total Support, Revenue, and Reclassifications	1,457,048	30,075	1,487,123	1,835,912
EXPENSES:				
Program services	1,669,840	-	1,669,840	1,611,802
Supporting services:				
General and administration	120,889	-	120,889	160,569
Fundraising	173,646	-	173,646	240,367
Total expenses	1,964,375	-	1,964,375	2,012,738
Change in Net Assets	(507,327)	30,075	(477,252)	(176,826)
Net Assets at Beginning of Period	6,445,819	356,777	6,802,596	6,979,422
Net Assets at End of the Period	$ 5,938,492	$ 386,852	$ 6,325,344	$ 6,802,596

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
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Statement of Cash Flows
June 30, 2019
With Summarized Financial Information as of June 30, 2018

	2019 Total	2018 Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (477,252)	$ (176,826)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	141,171	142,587
Net realized/unrealized (gain) loss on investments	5,591	(99,553)
Change in:		
Grants receivable	54,700	4,510
Prepaid expenses and deposits	(1,164)	-
Accounts payable and accrued vacation	28,311	29,098
Net Cash Used by Operating Activities	(248,643)	(100,184)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(58,756)	(50,000)
Proceeds from sale of investments	896,793	187,346
Purchase of investments	(696,192)	(196,724)
Net Cash Provided by Investing Activities	141,845	(59,378)
Decrease in cash during the year	(106,798)	(159,562)
Cash, beginning of year	199,369	358,931
Cash, end of year	$ 92,571	$ 199,369

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statement of Functional Expenses
June 30, 2019

	Program Services	General & Administrative	Fundraising	Total Expenses
Salaries and Wages	$ 1,083,355	$ 78,791	$ 107,785	$ 1,269,931
Payroll Taxes	81,348	5,560	8,735	95,643
Employee Benefits	79,304	9,175	3,849	92,328
TOTAL SALARIES & RELATED EXPENSES	1,244,007	93,526	120,369	1,457,902
Accounting and Professional Service	24,956	11,790	5,402	42,148
Children's Program	25,416	-	-	25,416
Depreciation	141,171	-	-	141,171
Insurance	39,450	311	49	39,810
Nutrition	49,593	37	-	49,630
Newsletter	-	-	3,131	3,131
Office Supplies	12,171	466	4,878	17,515
Outside services	-	-	-	-
Parent Supplies	19,833	-	-	19,833
Property Tax	2,536	-	-	2,536
Public Relations	7,262	2,343	2,522	12,127
Repairs and Maintenance	43,462	4,980	565	49,007
Special Event	13,033	129	18,224	31,386
Staff Development	10,363	3,028	4,215	17,606
Telephone	9,619	-	-	9,619
Special evaluation	38	-	-	38
Workers Compensation Insurance	1,188	533	13,926	15,647
Utilities	25,742	3,746	365	29,853
TOTAL EXPENSES	$ 1,669,840	$ 120,889	$ 173,646	$ 1,964,375

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statement of Functional Expenses
June 30, 2018

	Program Services	General & Administrative	Fundraising	Expenses
Salaries and Wages	$ 978,778	$ 38,920	$ 149,053	$ 1,166,751
Payroll Taxes	70,259	6,238	13,945	90,442
Employee Benefits	82,869	25,163	3,969	112,001
TOTAL SALARIES & RELATED EXPENSES	1,131,906	70,321	166,967	1,369,194
Accounting and Professional Service	13,403	32,931	4,494	50,828
Children's Program	31,494	-	-	31,494
Depreciation	111,674	22,908	8,005	142,587
Insurance	27,666	1,537	1,537	30,740
Nutrition	49,852	70	-	49,922
Newsletter	-	-	7,681	7,681
Office Supplies	18,948	2,930	6,824	28,702
Outside Services	49,342	-	-	49,342
Parent Supplies	24,635	71	208	24,914
Property Tax	1,372	1,425	-	2,797
Public Relations	5,193	4,274	9,622	19,089
Repairs and Maintenance	38,543	4,148	2,298	44,989
Special Event	2,495	-	26,498	28,993
Staff Development	12,514	4,483	1,472	18,469
Telephone	9,012	2,787	622	12,421
Special Evaluation	50,000	-	-	50,000
Workers Compensation Insurance	15,048	5,129	2,277	22,454
Utilities	18,705	7,555	1,862	28,122
TOTAL EXPENSES	$ 1,611,802	$ 160,569	$ 240,367	$ 2,012,738

See the accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER

Notes to Financial Statements
For the Years Ended
June 30, 2019 and 2018

NOTE 1: GENERAL INFORMATION

Mother's Club Family Learning Center dba Families Forward Learning Center (the Center) prepares families living in isolation and poverty to succeed in school and life. The Center promotes strong parent-child relationships and encourages friendship and mutual support among parents through education programs and social services, thereby creating a stronger community for all families.

The Center's programs are built on two guiding principles: in order for significant, long-term positive growth to occur within a family, both parent and child must be reached and educated together; and, the most critical time to reach a family is when children are proven to be the most vulnerable and impressionable, between birth and five years-old.

The Center fulfills its mission by providing free programs to low-income, at-risk families with children age 0-5. In all programs, parents and children learn side by side, increasing the skills and knowledge of both generations and thereby increasing the likelihood that children will succeed in school with an ultimate goal of breaking the cycle of poverty. The Center serves over 100 parents and 116 children annually in three programs. While children benefit from the quality child development program, parents learn parenting and leadership skills, increase their own literacy skills, develop friendships and a network of support, and receive an array of support services to benefit the whole family.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Center reflect the accrual method of accounting in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP).

Financial Statement Presentation

The Center is required to report information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions and Net assets with donor restrictions:

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. Such reclassifications have had no effect on the change in net assets as previously reported.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – (continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Support and Revenue

The Center receives a major portion of its revenues in the form of federal and state grants or contracts for program operations. To ensure observance of limitations and restrictions placed on the use of resources available to the Center, the accounts are maintained in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established in accordance with their nature and purpose. Separate accounts are maintained for each fund.

Net Assets

Basis of Presentation: In accordance with ASC 2016-14 Topic 958 Not-For-Profit Entities, the Center is required to report information regarding its financial position and activities under two classes of net asset:

- **Net assets without donor restrictions**: Net assets that are not subject to donor-imposed stipulations. Voluntary resolutions of the Board of Directors making self-imposed limits are also considered unrestricted. Unrestricted net assets represent the portion of expendable net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These net assets are used to carry on the operations of the Center in accordance with its bylaws.

- **Net assets with donor restrictions**: Net assets subject to donor-imposed stipulation that may or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as unrestricted. Temporarily restricted net assets represent resources currently available for use, but expendable only for those operating purposes specified by the donor. Resources of this class of net assets originate from contributions, grants, and pledges. Capital Maintenance Reserve: A donor designated this amount to be used for the purposes of capital maintenance and replacement.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – (continued)

Net Assets – (continued)

- Kujawa Staff Development: Donors designated these contributions to be used for the purposes of staff development. Permanently restricted net assets are maintained as an endowment (see Note 6, Endowment Investments), which represents net assets that are subject to restrictions of gift instruments requiring, in perpetuity, that the principal be invested and the income only, which includes realized or unrealized appreciation, be used. The Center received a capital campaign contribution that states that in the event of a sale or other disposition of the building and no replacement facility is acquired, the Center will create a restricted account for a certain amount and the income from such account will be exclusively used to support any programs or activities which replace the current programs and or activities of the Center or of another nonprofit organization serving the same or similar purpose as described in the contribution agreement.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Other Receivable and Grants Receivable

The Center's grants are recorded as temporarily restricted net assets when the Center is notified of the contribution from the donor. The grant receivable is reported at fair value.

No allowance for uncollectible other receivable or grants receivable has been made as management estimated that the write down, if any, is immaterial to the financial statements.

Government Grants Receivable/Refundable Advances

The Center contracts with federal, state, and local agencies to provide child care and other services. The Center receives advances and apportionments from these agencies and the funds used to administer child care and other programs for expenditures reimbursable under contractual agreement. The excess of reimbursable expenditures over advances and apportionments is included in government grants receivable. Any excess over advances and apportionments exceeding reimbursable earned expenditures is included in refundable advances or due to grantor.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – (continued)

Property and Equipment

Property, furniture, and equipment are stated at cost. Acquisitions in excess of $500 are capitalized. Donated assets are recorded at their estimated fair market values at the date of donation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Property acquired with state grant supported funds is considered to be owned by the Center while used in the program for which it was purchased or in other authorized programs. However, the state government has a reversionary interest in the property equal to the state's share of the total program expenditures in the year in which property was acquired.

Advertising Costs

The production costs of advertising are expensed as incurred.

Fair Value of Financial Instruments

The fair value of financial instruments have been determined through quoted market prices, present value techniques, and other methodologies to approximate the amounts recorded in the statement of financial position.

Risks and Uncertainties

The Center has concentrations in the following areas:

- Support and Revenue: Two funding streams (government contracts and foundation grants) constitute 54% and 42% of total support and revenue for the years ended June 30, 2019 and 2018, respectively.

- Grants Receivable: Four contributors constitute 89% and 74% of total grants receivable at June 30, 2019, and 2018, respectively. These are grants for the various parent and children programs.

Income Tax Status

The Center is exempt from income taxes under Section 501(c)(3) of the Federal Internal Revenue Code and section 23701(d) of the State of California Revenue and Taxation Code. Accordingly, no provisions for income taxes are included in the accompanying financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – (continued)

Income Tax Status – (continued)

The Center's form 990, *Return of Center Exempt from Income Tax*, for the years ended June 30, 2015, 2016, 2017, and 2018, are subject to examination by the IRS, generally for three years after they were filed.

Management believes that the Center has no uncertain tax positions as of June 30, 2019.

Donated Services

Support arising from donated services is recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are reflected as increases in net assets based on the fair value of volunteer services performed for the Center. Donated services requiring recognition were $19,000 and $49,342 for the years ended June 30, 2019 and 2018, respectively.

Cost Allocation Plan

The costs of providing the various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
Accordingly, the Center applies several methods for allocating costs:

Direct Cost: Costs identified 100 percent to a specific program are charged directly to that program.

Shared Direct Cost: Costs identified to specific multiple programs or activities are shared between the programs benefitted.

- Payroll costs are allocated using individual time sheets that report the actual time spent by employees in each program each day.

- Rent and associated utilities, maintenance, and insurance are allocated using the square footage of building space occupied by each program, according to floor plans and/or room measurements.

- Training costs for staff members are allocated to programs in proportion to the actual time employees spent working in those programs.

- Legal fees and audit costs are allocated in proportion to the direct hours charged to each program, based on invoices or engagement letters.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – (continued)

Cost Allocation Plan – (continued)

Indirect Costs: Costs that benefit the operations of the entire Center, which cannot be identified to specific programs or activities, are allocated according to the Center's approved indirect cost allocation plan. Such plan is on file in the Center's main accounting office.

New Pronouncement

The Center has adopted the FASB issued Accounting Standards Update (ASC) 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Entities*, which simplifies and improves how a nonprofit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASC replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017.

NOTE 3: AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS – STATEMENT OF POSITION

The Center classifies current assets as financial assets available within 1 year of the balance sheet date. As of June 30, 2019, the Center has $1.5 M of current financial assets available to meet cash needs for general expenditures which consists of $92,571 in cash, $1,186,665 in investments, $175,423 in accounts receivable, and $3,262 in prepaid expenses. The amount of financial assets subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date as of June 30, 2019, totaled $386,852. (See Note 13). The Center has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses. The Center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As more fully described in Note 11, the Center also has various revolving credit cards which are used to purchase equipment and supplies used in operations. The outstanding credit card balances totaled $25,196 at June 30, 2019.

NOTE 3: AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS – STATEMENT OF POSITION – (continued)

In addition, as part of its liquidity management, the Center invests cash in excess of daily requirements in various short-term investments, including certificate of deposits and short-term treasury instruments. A summary of the investments is described in Note 6.

NOTE 4: MEASURE OF OPERATION – STATEMENT OF ACTIVITIES

The Center's operating from the various grants and fee for services are a vital source of operating funds. The revenues in excess of expenses include all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions. The funds are designated for providing child care and education services for low income families with the Center's catchment area.

The measure of operations excludes investment return in excess of (less than) amounts made available for current support, gains and losses on extinguishment of debt, and changes in fair value of the interest on mutual funds.

NOTE 5: CONCENTRATIONS OF CREDIT RISK

The Center maintains cash balances at several financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures cash balances up to $250,000 per institution. At June 30, 2019 and 2018, the Center had no uninsured deposits. Cash accounts at the brokerage firm are insured by the Securities Investor Protection Corporation (SIPC) for up to $250,000 per customer. At June 30, 2019 and 2018, the Center's cash accounts at the brokerage firm were below the insured coverage limit for 2019 and $22,000 exceeded the uninsured limit for 2018.

NOTE 6: INVESTMENTS

The Center's investments at June 30, 2019, are comprised of the following:

	Fair Value	Cost	Appreciation (Depreciation)
Fixed income funds	$ 149,936	$ 149,213	$ 723
Equities	1,036,729	829,937	206,792
Total investments	$ 1,186,665	$ 979,150	$ 207,515

NOTE 6: INVESTMENTS- (continued)

The Center's investments at June 30, 2018, are comprised of the following:

	Fair Value	Cost	Appreciation (Depreciation)
Fixed income funds	$ 223,675	$ 223,478	$ 197
Equities	1,172,610	921,938	250,672
Total investments	$ 1,396,285	$ 1,145,416	$ 250,869

NOTE 7: FAIR VALUE MEASUREMENT

Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level 1 include listed equities and other securities held in the name of the Center, and exclude listed equities and other securities held indirectly through commingled funds.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER

Notes to Financial Statements
For the Years Ended
June 30, 2019 and 2018

NOTE 7: FAIR VALUE MEASUREMENT – (continued)

The following table summarizes the valuation of the Center's financial assets and liabilities on a recurring basis by the above categories as of June 30, 2019:

Assets	Total	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fixed income funds	$ 149,936	$ 149,936	$ -	$ -
Equities	1,036,729	1,036,729	-	-
Total investments at fair value	$ 1,186,665	$ 1,186,665	$ -	$ -

The following table summarizes the valuation of the Center's financial assets and liabilities on a recurring basis by the above categories as of June 30, 2018:

Assets	Total	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fixed income funds	$ 223,675	$ 223,478	$ -	$ -
Equities	1,172,610	921,938	-	-
Total investments at fair value	$ 1,396,285	$ 1,145,416	$ -	$ -

NOTE 8: ENDOWMENT INVESTMENTS

The Center has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor- restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by State Prudent Management of Institutional Funds Act (SPMIFA).

NO**TE 8: ENDOWMENT INVESTMENTS – (continued)**

Any unappropriated earnings of the permanently restricted endowment fund are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center. The Center has established a policy to appropriate for expenditure of all interest and dividends paid on investments. From time to time, the fair values of endowment assets may, due to unfavorable market conditions, fall below the level that donors required to be retained as a fund of perpetual duration. In accordance with the generally accepted accounting principles basis of accounting, declines of this nature are reported as losses on unrestricted net assets. As values recover, the increases are reported as unrestricted gains. At the reporting dates, the Center had no significant decline in values.

The Center has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide its programs with current income. Under these policies, endowment assets are invested to produce a return that is expected to meet or exceed the rate of inflation. Actual results during any period may vary from these expectations. The Center relies on a total return strategy which allows the earnings objective to be achieved through both capital appreciation and current yield. This strategy involves a diversified asset allocation that provides a balance among equity investments. The Center's spending policy was established considering the long-term expected return on assets and the long-term growth of the asset. Permanently restricted endowments consist of marketable equity and bond securities. The amount spent each year shall be the product of the spending rate and the base value. The base value shall be the average value of endowment assets on the last day of each of the preceding 12 calendar quarters. The annual spending rate shall have a ceiling of 4%, but during a period of declining base values, at no time should this ceiling exceed 5% of the most recent quarter's market value. There were no such declines during June 30, 2019 and 2018, respectively.

At June 30, 2019, the Center had a donor restricted endowment fund of $123,500, respectively, which is classified as permanently restricted net assets. The endowment fund consists of several donor-restricted funds established to provide investment income for general operational purposes.

NOTE 8: ENDOWMENT INVESTMENTS – (continued)

Changes in the endowment net assets for the fiscal year ended June 30, 2019 and 2018:

	Donor Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2017	$ 84,641	$ 123,500	$ 208,141
Investment activity	11,508	-	11,508
Endowment net assets at June 30, 2018	$ 96,149	$ 123,500	$ 219,649
Investment activity	22,956	-	22,956
Endowment net assets at June 30, 2019	$ 119,105	$ 123,500	$ 242,605

NOTE 9: GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable at June 30, 2019 and 2018, comprise of the following:

	2019	2018
California State Preschool Program (CSPP 5662)	$ --	$ 10,960
California State Preschool Program (CSPP 6651)	--	19,764
California State Preschool Program (CSPP 7224) *	70,324	70,324
California State Preschool Program (CSPP 8225) *	46,614	--
California Child Care Food Program	7,437	15,670
Early Head Start	30,957	30,766
City of Pasadena CDBG	--	10,467
Contributions and donations	20,091	61,704
Total grants and accounts receivable	$ 175,423	$ 230,123

A summary of the apportionments due from CDE for the CSPP contracts for June 30, 2019 and 2018, are as follows:

	CSPP 8225	CSPP 7224
Reimbursable expenditures earned	$ 325,340	$ 250,470
Less: Apportionment as of fiscal year end	(278,726)	(180,146)
Amount due from CDE	$ 46,614	$ 70,324

NOTE 9: GRANTS AND ACCOUNTS RECEIVABLE – (continued)

*The Center was advanced $180,146 in apportionments in connection with the CSPP 7224 contract for year ended June 30, 2018, and advanced $278,726 in apportionments for the CSPP 8225 contract. The Center recognizes revenues to the extent of reimbursable expenses earned. As a result, the Center reported apportionments of $180,146 and $278,726 from the California Department of Education (CDE) for the years ended June 30, 2018 and 2019, respectively in the Statement of Combining Activities. Any apportionments earned but not received from the CDE as of the fiscal years 2018 and 2019 are reported as Due from CDE

NOTE 10: PROPERTY AND EQUIPMENT

The following is a summary of property, plant, and equipment at June 30, 2019 and 2018:

	2019	2018
Fair Oaks land	$ 1,825,000	$ 1,825,000
Fair Oaks building	4,346,857	4,346,857
Furniture & fixtures	404,456	400,538
Photovoltaic system	170,975	170,975
Acquisition & closing costs	39,673	39,673
Building improvements	108,000	106,721
Intangible software	94,318	65,345
Computer equipment	89,462	64,876
Total property and equipment	7,078,741	7,019,985
Less: Accumulated depreciation and amortization	(2,101,173)	(1,960,002)
Property and equipment, net	$ 4,977,568	$ 5,059,983

Depreciation expense for the years ended June 30, 2019 and 2018, was $ 141,171 and $142,587, respectively.

NOTE 11: CREDIT CARDS

The Center has various revolving credit cards which are used to purchase equipment and supplies used in operations. The lines bear interest at rates from 9.3% to 21.99%. The total outstanding balances at June 30, 2019 and 2018, are $25,196 and $15,912, respectively, and is included in Accounts Payable.

NOTE 12: ACCRUED VACATION AND PERSONAL TIME OFF

Accumulated unpaid personal time-off benefits are recognized as accrued liabilities by the Center. Accumulated unpaid employee vacation benefits are recognized as accrued liabilities of the Center. However, accumulated employee sick leave benefits are not recognized as liabilities of the Center because payment of sick leave benefits is not vested and such benefits are recorded as expenses in the period when sick leave is taken.

NOTE 13: DONOR RESTRICTED NET ASSETS

Donor restricted net assets are available for the following purposes or periods:

	2019	2018
Foundation (Head Start and Technology)	$ 7,119	$ --
Endowment unappropriated	119,105	96,149
Capital maintenance reserve	100,000	100,000
Endowment unappropriated funds	123,500	123,500
Parent program	--	--
Kujawa staff development	37,128	37,128
Total donor restricted net assets	$ 386,852	$ 356,777

NOTE 14: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2019 and 2018, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	2019	2018
Children's program	$ 766,752	$ 1,115,381
Parent program	--	79,255
Foundation (Head Start and Technology)	198,881	--
Adopt a family	17,465	--
	$ 983,098	$ 1,194,636

NOTE 15: COMMITMENTS AND CONTINGENCIES

The Center has received federal and other governmental funds for specific purposes that are subject to review and audit by the funding agencies. Such audits could generate expenditure disallowances or refunds payable under terms of the Center contracts. No material amounts are currently payable. Loss of governmental support would have a significant impact on the Center's ability to provide its program services.

NOTE 16: EMPLOYEE BENEFIT PLAN

The Center offers a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code to qualified employees. The plan is available to all full-time employees of the Center. Currently, the Center makes no matching contributions to the plan.

NOTE 17: SPECIAL EVENTS

The Center conducted fundraising events for the years ended June 30, 2018 and 2019. Total support received from the fundraising event for the year ended June 30, 2019, was $134,257, with cost incurred of $31,387.

Total support received from the fundraising event for the year ended June 30, 2018, was $126,331, with cost incurred of $28,993. The net proceeds from these events went towards program operations.

NOTE 18: NUTRITION PROGRAMS

The Center has a nutrition agreement with Nutrition Services Division (NSD) of the California Department of Education (CDE), as reported in the Schedule of Expenditures of Federal and State Awards.

No nutrition audit report schedules are included in the audit because, (1) the audit disclosed no nutrition overpayments, underpayments, or program findings; (2) the contractor did not request reimbursement of audit costs; and (3) the audit is not a program-specific nutrition audit.

NOTE 19: SUBSEQUENT EVENTS

For the year ended June 30, 2019, the Center has evaluated subsequent events for potential recognition and disclosure through December 11, 2019, the date the financial statements were available, and determined that there were no other items to disclose or adjustments to be made.