FAMILIES FORWARD
LEARNING CENTER

FINANCIAL STATEMENTS

For the year ended
June 30, 2023

FAMILIES FORWARD LEARNING CENTER

FINANCIAL STATEMENTS

Year ended June 30, 2023

TABLE OF CONTENTS

Maginnis Knechtel & McIntyre LLP
Certified Public Accountants and Consultants

300 West Colorado Boulevard
Pasadena, CA 91105-1824
(626) 449-3466
Fax (626) 577-9361

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Families Forward Learning Center
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Families Forward Learning Center (the Center), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Financial Statements section of our report. We are required to be independent of the Center 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Families Forward Learning Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 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 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 Center'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Center taken as a whole. The accompanying supplementary information listed in the table of contents, required by the *CDE Audit Guide* issued by the California Department of Education, is presented for purposes of additional analysis and not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the 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 Center'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 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 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 Center's internal control over financial reporting and compliance.

Maginnis Knechtel & McIntyre, LLP

Pasadena, California
December 14, 2023

ASSETS		
Current assets		
Cash and cash equivalents	$	659,310
Investments at fair value		896,185
Grants and accounts receivable		120,674
Prepaid expenses		40,451
Total Current Assets		**1,716,620**
Property and equipment, net (Note 8)		4,678,430
TOTAL ASSETS	$	**6,395,050**
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other accruals	$	129,001
Deferred revenue		89,172
Accrued vacation		30,194
Total Current Liabilities		**248,367**
Net assets		
Without donor restrictions		5,765,353
With donor restrictions (Note 12)		381,330
Total Net Assets		**6,146,683**
TOTAL LIABILITIES AND NET ASSETS	$	**6,395,050**

See notes to the financial statements.

SUPPORT AND REVENUES	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support			
Government contracts	$ -	$ 955,629	$ 955,629
Contributions	664,917	235,286	900,203
Donated services	28,600	-	28,600
Special events	173,394	-	173,394
Total Support	866,911	1,190,915	2,057,826
Revenues:			
Other income	3,166	-	3,166
Investment income	10,959	-	10,959
Net unrealized/realized gain on investments	162,088	-	162,088
Total Revenues	**176,213**	**-**	**176,213**
Net assets released from restrictions	1,542,605	(1,542,605)	-
Total Support, Revenues and Reclassifications	**2,585,729**	**(351,690)**	**2,234,039**
Expenses			
Program services	1,619,636	-	1,619,636
Supporting services:			
General and administration	547,665	-	547,665
Fundraising	243,404	-	243,404
Total Operating Expenses	**2,410,705**	**-**	**2,410,705**
Other Income			
Employer retention tax credit	400,917	-	400,917
Change in Net Assets	**575,941**	**(351,690)**	**224,251**
Net assets at the beginning of year	5,189,412	733,020	5,922,432
Net Assets at End of Year	**$ 5,765,353**	**$ 381,330**	**$ 6,146,683**

	Program Services	General & Administrativ	Fundraising	Total Expenses
Salaries	$ 977,272	$ 131,254	$ 135,806	$ 1,244,332
Payroll taxes	76,555	8,524	10,421	95,500
Employee benefits	75,822	1,836	4,877	82,535
Total Salaries & Related Expenses	1,129,649	141,614	151,104	1,422,367
Accounting and professional services	60,356	186,956	500	247,812
Children's program	21,753	91	-	21,844
Depreciation	127,315	26,117	9,126	162,558
Insurance	25,929	9,878	-	35,807
Nutrition	54,228	112	-	54,340
Office supplies	3,182	29,414	473	33,069
Parent supplies	27,572	1,127	-	28,699
Property taxes	1,438	1,437	-	2,875
Public relations	-	2,490	29,121	31,611
Repairs and maintenance	120,583	20,615	-	141,198
Special event	-	-	52,618	52,618
Staff development	12,821	18,398	194	31,413
Telephone	12,362	3,926	-	16,288
Workers compensation insurance	4,681	85,356	268	90,305
Utilities	17,767	20,134	-	37,901
Total Operating Expenses	$ 1,619,636	$ 547,665	$ 243,404	$ 2,410,705

See notes to the financial statements.

Cash flows from operating activities:	
Change in net assets	$ 224,251
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	162,558
Net realized/unrealized (gain) on investments	(125,920)
Changes in:	
Grants and accounts receivable	264,158
Prepaid expenses and deposits	(19,861)
Accounts payable and accrued vacation	35,799
Deferred revenue	89,172
Net cash provided by operating activities	**630,157**
Cash flows from investing activities:	
Purchase of property and equipment	(144,032)
Proceeds from sale of investments	133,000
Purchase of investments	(1,305)
Net cash (used) in investing activities	**(12,337)**
Increase in cash and cash equivalents during the year	617,820
Cash and cash equivalents, beginning of year	**41,490**
Cash and cash equivalents, end of year	**$ 659,310**
Supplemental disclosure of Non-cash investing activities	
Purchase of property and equipment through accounts payable	$ 59,000

1 General Information

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 educational 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's Early Childhood Two-Generation Learning Program is comprised of the following three components that together provide a comprehensive set of services designed to educate and empower children and parents simultaneously and envelop the entire family in a system of support. Participation in the program is free and 100% of families served live in low-income households.

- **Early Childhood Education (ECE):** Designed to help children gain the social and cognitive skills needed for a successful transition to kindergarten and beyond, their developmentally appropriate early childhood curriculum is based on the Creative Curriculum model and the recommendations of the National Association for the Education of Young Children (NAEYC) and the California Preschool Foundations and Curriculum Framework.

- **Two-Generation Learning:** Parents participate in a variety of classes and workshops designed to develop the skills and strategies to be active advocates for and participate in their children's learning. They also offer English as a Second Language classes, high-school equivalency/GED programs, and leadership.

- **Family Mental Health and Wellbeing**: Supporting parent's overall well-being, including emotional and mental health. Prevent neglect and abuse by supporting the family's health, education, and development.

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.

Reconciliation of CDE and GAAP Revenue and Expense Reporting

The Supplementary Combining Schedule of Activities and Basic Financial Statements present financial data in conformity with GAAP. The other supplementary financial data presented in the audit, including data in the Schedule of Expenditures by State Categories, present expenditures according to the California Department of Education (CDE) reporting requirements. However, reporting differences arise because CDE contract funds must be expended during the contract period (usually one year). For example, program amounts that are capitalized and depreciated over multiple years under GAAP are expensed in the contract period under CDE requirements. For the year ended June 30, 2023, there were no reporting differences.

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.

2 Significant Accounting Policies, continued

Contributions and Grant Revenue Recognition

The Center receives contributions and grants from the federal, state, and local government entities, corporations, and individuals as well as apportionments from the California Department of Education (CDE) under a contractual agreement.

Contributions and grants are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, Not-For-Profit Entities, ASC 958-605 Not-For-Profit Entities-Revenue Recognition.

Grants that are determined to be contributions, as defined by Accounting Standards Codification (ASC) 958-605, Not for Profit Entities – Presentation of Financial Statements, are reported as net assets with donor restrictions if they are received with donor stipulations that require certain objectives of the grant to be met. When these donor objectives are satisfied, that is when a purpose restriction is accomplished, the funds are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Grants that are determined to be an exchange transaction as defined by ASC 958-605 are not considered contributions and are reported as an increase in net assets without donor restrictions when the revenue is earned and services are provided.

Revenue from Exchange Transactions: The Center recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Center records the following exchange transaction revenue in its statements of activities and changes in net assets for the year ending June 30, 2023.

Contributions and Grants (federal, state, and local government entities)

Certain grants / contracts may be classified as exchange transactions. The Center recognizes revenue from exchange transactions on the accrual basis of accounting whereby revenue that will be earned in subsequent accounting periods is deferred and not reported as revenue in the current accounting period.

2 Significant Accounting Policies, continued

Apportionments from CDE

The Center has entered into an agreement with CDE to perform child care services under contractual agreement where the performance obligation is defined. The contracts are set up as reimbursement of costs are recognized monthly as services are performed. CDE sends the Center apportionments during the year. The Center recognizes revenues based on the milestone of either incurring allowable reimbursable costs the targeted enrollment for the month of services. Apportionments received in advance of the performance of the services are initially recognized as deferred revenue and recognized in the statements of activities after the services have been performed or milestone is completed.

Net Assets

Basis of Presentation: In accordance with ASU 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.

    - **Kujawa Staff Development:** Donors designated these contributions to be used for the purposes of staff development.

2 Significant Accounting Policies, continued

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.

Grants and Accounts 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.

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 grants receivable. Any excess over advances and apportionments exceeding reimbursable earned expenditures is included in refundable advances or due to grantor.

Tuition and Parent Fees

The Center charges families an application fee (initial application), registration fee (annual), and program fees (monthly) for child care services. Fees paid by the families are recognized as revenue in the period in which the child care services are provided.

2 Significant Accounting Policies, continued

Property and Equipment

Property, furniture, and equipment are stated at cost. Acquisitions in excess of $2,500 are capitalized. Donated assets are recorded at their estimated fair market values at the date of donation. Property, furniture, and equipment are stated at cost. Acquisitions in excess of $2,500 are capitalized. Property and equipment is depreciated 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.

Due to the California Department of Education

Child Development contracts allow reimbursement to be advanced to contractors in monthly apportionments from the California Department of Education. Each monthly apportionment is a fixed percentage of the Maximum Reimbursable Amount (MRA) as stated in the contract. Reimbursable child care costs for center-based programs are the lessor of 1) MRA, 2) net reimbursable program costs for subsidized children, or 3) service earnings. When the contractor receives apportionments in excess of reimbursable costs at year end, the excess is considered an overpayment and is due to the California Department of Education.

Advertising Costs

The costs of advertising are expensed as incurred.

Fair Value of Financial Instruments

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

2 Significant Accounting Policies, continued

Risks and Uncertainties

The Center has concentrations in the following areas:

- Support and Revenue: One funding stream, government contracts which constitute 43% of total support and revenue for the year ended June 30, 2023.

- Grants Receivable: Four contributors constitute 97% of total grants receivable at June 30, 2023. These are grants for the various parent and children's 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.

The Center's form 990, *Return of Center Exempt from Income Tax*, for the years ended June 30, 2019, 2020, 2021, and 2022 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, 2023.

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 revenues and expenses based on the fair value of volunteer services performed for the Center. Donated services recognized were $28,600 for the year ended June 30, 2023. The expenses are reported as program expenses and are included in the statement of functional expenses as salaries and wages.

2 Significant Accounting Policies, continued

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% 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.

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.

Measure of Operation – Statement of Activities

The Center's operating revenues from the various grants and fees 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 net assets with donor restrictions and net assets without donor restrictions.

2 Significant Accounting Policies, continued

The funds are designated for providing child care and education services for low-income families within 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.

Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02 Leases (ASC 842). The core principle of Topic 842 is that a lessee should recognize on its Balance Sheets, the assets and liabilities that arise from leases, including operating leases. Under the new requirements, a lessee will recognize in the balance sheet a liability to make lease payments (the lease liability) and the right of-use asset representing the right to the underlying asset for the lease term. In June 2020, the FASB extended the effective date for the adoption of the accounting standards. The new standard for ASU 2016-02 becomes effective for fiscal years beginning after December 15, 2021. The Center adopted this guidance for the year ended June 30, 2023. The adoption of this guidance had no significant impact to the Center's financial statements for the year-ended June 30, 2023 and no lease adjustments were recorded to the financial statements.

3 Availability and Liquidity of Financial Assets

The Center's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Financial assets for the year ended June 30, 2023	2023
Cash and cash equivalents	$ 659,310
Investments at fair value	896,185
Grants and accounts receivable	120,674
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(381,330)
Financial assets available to meet general expenditures over the next twelve months	$ 1,294,839

The Center classifies certain current assets as financial assets available within one year of the balance sheet date. 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 9, the Center also has various revolving credit cards which are used to purchase

3 Availability and Liquidity of Financial Assets, continued

equipment and supplies used in operations. 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 5.

4 Concentrations of Credit Risk

The Center maintains cash balances at a financial institution insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures cash balances up to $250,000 per institution. At June 30, 2023, the Center's cash accounts at the bank were above the insured coverage limit in the amount of $467,424.

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, 2023, the Center's cash accounts at the brokerage firm were below the SIPC limit and had no uninsured balances.

5 Investments

The Center's investments at June 30, 2023, are comprised of the following:

	Fair Value	Cost	Appreciation (Depreciation)
Cash/money market	$ 45,894	$ 45,894	$ -
Fixed income funds	80,411	90,455	(10,044)
Equities	763,027	729,554	33,473
Mutual funds	6,093	6,489	(396)
Estimated accrued interest	760	-	-
Total Investments	$ 896,185	$ 872,382	$ (23,033)

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).

5 Investments, continued

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 includes 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.

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, 2023:

Assets	Total	Level 1	Level 2	Level 3
Cash/money market	$ 45,894	$ 45,894	$ -	$ -
Fixed income funds	80,411	80,411	-	-
Equities	763,027	763,027	-	-
Mutual funds	6,093	6,093	-	-
Estimated accrued interest	760	760	-	-
Total investments at fair value	$ 896,185	$ 896,185	$ -	$ -

6 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).

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 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.

6 Endowment Investments, continued

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, 2023.

At June 30, 2023, the Center had a donor restricted endowment fund of $123,500, 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.

Changes in the endowment net assets for the fiscal year ended June 30, 2023:

	Purpose Restricted	Perpetual in Nature	Total
Endowment net assets at June 30, 2022	$ 119,105	$ 123,500	$ 242,605
Investment activity	-	-	-
Endowment net assets at June 30, 2023	$ 119,105	$ 123,500	$ 242,605

7 Grants and Accounts Receivable

Grants and accounts receivable at June 30, 2023, comprise of the following:

California Child Care Food Program	$ 15,237
Early Head Start	60,700
Other grants	23,967
Contributions and donations	20,770
Total grants and accounts receivable	$ 120,674

8 Property and Equipment

The following is a summary of property, plant, and equipment at June 30, 2023:

Fair Oaks land	$ 1,825,000
Fair Oaks building	4,345,344
Furniture and fixtures	243,924
Photovoltaic system	170,975
Building improvements	183,768
Intangible software	101,500
Computer equipment	95,967
Playground equipment	38,005
Construction in progress	129,000
Total property and equipment	7,133,482
Less: Accumulated depreciation and amortization	(2,455,053)
Property and equipment, net	$ 4,678,430

Depreciation expense for the year ended June 30, 2023 was $162,558.

9 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 balance at June 30, 2023 was $9,865, and was included in accounts payable and other accruals on the statements of financial position.

10 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.

11 Government Assistance and Stipends

American Recovery Plan Act (ARPA) Stipends

California Department of Education awarded the Center a one-time stipend of $525 per child based on November 2020 CDMIS data. These stipends were to provide continued relief in response to the COVID-19 pandemic. Stipends were paid in June 2023. The Center received $87,672 for the fiscal year ended June 30, 2023, which is included in deferred revenue in the accompanying statement of financial position.

11 Government Assistance and Stipends, Continued

Employee Retention Credit

The Center filed for the Employee Retention Credit (ERC) under the CARES Act. For the year ended June 30, 2023, the Center received $400,917 as Form 941 Employer Quarterly Federal Tax Return refund payments for quarters ended September 30, 2020, December 31, 2020, March 31, 2021, and September 30, 2021, which is included in other income on the statement of activities.

12 Donor Restricted Net Assets

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

Children's Program	$	3,500
Endowment unappropriated		119,105
Capital improvements		25,000
Capital maintenance reserve		76,000
Endowment – perpetual in nature		123,500
Kujawa staff development		34,225
Total net assets with donor restrictions	$	381,330

13 Net Assets Released from Restrictions

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

Early Childhood Education Program	$	1,108,754
Capital Improvement		256,064
Capital Maintenance Reserve		4,161
Kujawa Staff Development		1,000
Parent Program		172,626
Total net assets released from restrictions	$	1,541,979

14 Commitments and Contingencies

The Center has received federal, California Department of Education (CDE), Employee Retention Credits, and other governmental funds for specific purposes that are subject to review and audit by the funding agencies. Such reviews and audits could generate expenditure disallowances or refunds payable under terms of the Center contracts.

15 Special Events

The Center conducted fundraising events for the year ended June 30, 2023. Total support received from the fundraising event for the year ended June 30, 2023 was $173,394, with costs incurred of $52,618. The net proceeds from these events went towards program operations.

16 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.

17 Child Care and Development Program Supplemental Information

In accordance with the applicable requirements from the Funding Terms & Conditions:

- Interest expense is only allowable as a reimbursable cost in certain circumstances when it has been preapproved by the administering state department or relates to the lease purchase, acquisition, repair, or renovation of early learning and care facilities owned or leased by the contractor. No interest expense was claimed as a reimbursable expense related to such transactions were reported for the year ended June 30, 2023. No interest expense relating to the credit cards, summarized in Note 9, was claimed to a child development contract for the year ended June 30, 2023.

- All expenses claimed for reimbursement under a related party rent transaction must be supported by a fair market rental estimate from an independent appraiser, licensed by the California Office of Real Estate Appraisers. The Center reported no related party rent transactions. Bad debt expense is unallowable unless it relates to uncollected family fees where documentation of adequate collection attempts exists. No bad debt expense was claimed to a child development contract for the year ended June 30, 2023.

18 Subsequent Events

For the year ended June 30, 2023, the Center's management has evaluated subsequent events for potential recognition and disclosure through December 14, 2023, the date the financial statements were available. There were no items requiring disclosure or adjustment to the financial statements.

SUPPLEMENTAL INFORMATION

Program Name	Federal Assistance Listing Number	Pass-Through Entity Indentifying Number / Grantor's Number	Award Amount	Expenditures Federal	Expenditures State
Federal					
U.S. Department of Agriculture:					
Passed through California Dept. of Education (CDE):					
Child and Adult Care Food Program	10.558	05060-CACFP-19-NP-IC	$ 49,642	$ 49,642	
Total U.S. Department of Agriculture			49,642	49,642	
U.S. Department of Health and Human Services					
Passed through Pacific Clinics					
Early Head Start Program	93.600	N/A	365,414	365,414	
Passed through California Dept. of Education (CDE):					
Child Care and Development Block Grant - America Recovery Plan Act (ARPA)	93.575	15640	87,672	-	
Total U.S. Department of Health and Human Services			453,086	365,414	
Total Expenditures of Federal Awards			502,728	415,056	
State					
California State Department of Education					
Child Development Services					
California State Preschool Program	N/A	CSPP2222	539,909		519,143
Total Expenditures of State Awards			539,909		519,143
Total Federal and State Expenditures				**$ 415,056**	**$ 519,143**

Footnote 1. Basis of Presentation

The *Schedule of Expenditures of Federal and State Awards* includes the expenditures of federal and state awards of Families Forward Learning Center (the Center). Expenditures are presented on the accrual basis of accounting. The Center did not incur total federal expenditures in excess of $750,000 for the year ended June 30, 2023. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Of the Federal expenditures presented in the schedule, the Center did not provided Federal awards to subrecipients.

See accompanying auditor's reports and notes to financial statements.

	Program Services			Supporting Services		
	CDE Childcare Services CSPP2222	**Non-CDE Programs**	**Total Program Services**	**General & Administrative**	**Fundraising**	**Total**
SUPPORT AND REVENUE						
Support:						
Government and grants:						
California Department of Education	$ 519,143	$ -	$ 519,143	$ -	$ -	$ 519,143
Child care food program	25,988	23,654	49,642	-	-	49,642
Other local grants	-	21,430	21,430	-	-	21,430
Early Head Start	-	365,414	365,414	-	-	365,414
Total Government and grants	545,131	410,498	955,629	-	-	955,629
Contributions	-	235,286	235,286	664,917	-	900,203
Donated services	-	-	-	28,600	-	28,600
Special events	-	-	-	173,394	-	173,394
Total Support	545,131	645,784	1,190,915	866,911	-	2,057,826
Revenue:						
Other income	-	-	-	3,166	-	3,166
Investment income	-	-	-	10,959	-	10,959
Net unrealized/realized gain (loss) on investments	-	-	-	162,088	-	162,088
Total Revenues	-	-	-	176,213	-	176,213
TOTAL SUPPORT AND REVENUE	$ 545,131	$ 645,784	$ 1,190,915	$ 1,043,124	$ -	$ 2,234,039
Operating expenses						
Salaries and wages	$ 319,822	$ 657,450	$ 977,272	$ 131,254	$ 135,806	$ 1,244,332
Payroll taxes	18,849	57,706	76,555	8,524	10,421	95,500
Employee benefits	23,080	52,742	75,822	1,836	4,877	82,535
Total Salaries and related expenses	361,751	767,898	1,129,649	141,614	151,104	1,422,367
Accounting and professional services	57,691	2,665	60,356	186,956	500	247,812
Children's program	11,623	10,130	21,753	91	-	21,844
Depreciation	-	127,315	127,315	26,117	9,126	162,558
Insurance	-	25,929	25,929	9,878	-	35,807
Nutrition	29,083	25,145	54,228	112	-	54,340
Office supplies	2,125	1,057	3,182	29,414	473	33,069
Parent supplies	11,094	16,478	27,572	1,127	-	28,699
Property tax	-	1,438	1,438	1,437	-	2,875
Public relations	-	-	-	2,490	29,121	31,611
Repairs and maintenance	3,973	116,610	120,583	20,615	-	141,198
Special event	-	-	-	-	52,618	52,618
Staff development	5,997	6,824	12,821	18,398	194	31,413
Telephone	4,373	7,989	12,362	3,926	-	16,288
Workers compensation insurance	1,009	3,672	4,681	85,356	268	90,305
COVID-19 relief	-	-	-	-	-	-
Utilities	-	17,767	17,767	20,134	-	37,901
Total operating expenses	**$ 488,719**	**$ 1,130,917**	**$ 1,619,636**	**$ 547,665**	**$ 243,404**	**$ 2,410,705**
Other Income						
Employer retention tax credit	-	-	-	400,917	-	400,917
Change in net ssets	**$ 56,412**	**$ (485,133)**	**$ (428,721)**	**$ 896,376**	**$ (243,404)**	**$ 224,251**

See accompanying auditor's reports and notes to financial statements.

	CSPP2222
Expenditures	
Direct payments to provider	$ -
1000 Certificated salaries	113,492
2000 Classified salaries	206,330
3000 Employee benefits	24,089
4000 Books and supplies	9,328
5000 Services and other operating expenses	135,480
6100/6200 Other approved capital outlay	-
6400 New equipment	-
6500 Replacement equipment	-
Start-up expenses-service level exemption	-
Indirect costs (a)	-
Total expenses claimed for reimbursement	488,719
Supplemental expenses	-
Total Expenses	**$ 488,719**

Notes:

(a) No indirect cost was claimed for fiscal year 2022-23.

(b) Any food expenses have been allocated to the appropriate contracts.

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

Families Forward Learning Center
Schedule of Reimbursable Equipment
For the Year Ended June 30, 2023

	2023		
	CDE CD Contracts CSPP2222	**Non-CDE Programs**	**Total**
Capitalized Equipment Expensed on the AUD With Prior Written Approval			
None	$ -	-	$ -
Subtotal	**-**	**-**	**-**
Capitalized Equipment Expensed on the AUD Without Prior Written Approval			
None	-	-	-
Subtotal	**-**	**-**	**-**
Total	**$ -**	**$ -**	**$ -**

Note: Families Forward Learning Center's capitalization threshold is $5,000.

See accompanying auditor's reports and notes to financial statements.

	2023		
	CDE Contracts CSPP2222	**Non-CDE Programs**	**Total**
Unit Cost Under $10,000 Per Item			
None	$ -	$ -	$ -
Subtotal	-	-	-
Unit Cost $10,000 or More Per Item With Prior Approval			
None	-	-	-
Subtotal	-	-	-
Unit Cost $10,000 or More Per Item Without Prior Approval			
None	-	-	-
Subtotal	-	-	-
Total	**$ -**	**$ -**	**$ -**

Note: Families Forward Learning Center's capitalization threshold is $5,000.

Administrative Costs	**CSPP2222**
Direct payments to provider	$ -
1000 Certificated salaries	-
2000 Classified salaries	60,706
3000 Employee benefits	4,463
4000 Books and supplies	-
5000 Services and other operating expenses	6,493
6100/6200 Other approved capital outlay	-
6400 New equipment	-
6500 Replacement equipment	-
Start-up expenses-service level exemption	-
Indirect costs (a)	-
Total expenses claimed for reimbursement	71,662
Supplemental expenses	-
Total Expenses	**$ 71,662**

Note: administrative costs claimed exceeded the maximum administrative expenses allowed of $69,410 (net expenses X 15%) by $2,252.

See accompanying auditor's reports and notes to financial statements.

NOTES TO THE CHILD CARE AND DEVELOPMENT PROGRAM SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2023

In accordance with the applicable requirements from the Contract Terms & Conditions:

1. Interest expense is only allowable as a reimbursable cost in certain circumstances when it has been preapproved by the administering state department or relates to the lease purchase, acquisition, or repair or renovation of early learning and care facilities owned or leased by the contractor. No interest expense was claimed to a child development contract for the year ended June 30, 2023.

2. All expenses claimed for reimbursement under a related party rent transaction must be supported by a fair market rental estimate from an independent appraiser, licensed by the California Office of Real Estate Appraisers. No related party rent expense was claimed to a child development contract for the year ended June 30, 2023.

3. Bad debt expense is unallowable unless it relates to uncollected family fees where documentation of adequate collection attempts exists. No bad debt expense was claimed to a child development contract for the year ended June 30, 2023.

Contractor Name: **Families Forward Learning Center**

Contract Number: CSPP2222

Fiscal Year Ended: June 30, 2023

Vendor Code: Z0870

California Department of Education Audited Enrollment, Attendance and Fiscal Report for California State Preschool Program

Section 1 – Number of Counties Where Services are Provided

Number of counties where the agency provided services to certified children (Form 1): **1**

Number of counties where the agency provided mental health consultation services to certified children (Form 2): **1**

Number of counties where the agency provided services to non-certified children (Form 3): **0**

Number of counties where the agency provided mental health consultation services to non-certified children (Form 4): **0**

Total enrollment and attendance forms to attach: **2**

Section 2 – Days of Enrollment, Attendance and Operation

Enrollment and Attendance Form Summary	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjusted Days per Audit
Total Certified Days of Enrollment	6,634	(2,388)	4,246	3,914.6170
Total Certified Days of Enrollment with Mental Health Consultation Services	2,940	(2,028)	912	731.1849
Days of Attendance (including MHCS)	7,229	(2,071)	5,158	N/A
Total Non-Certified Days of Enrollment	0	0	0	0.0000
Total Non-Certified Days of Enrollment with Mental Health Consultation Services	0	0	0	0.0000

Days of Operation	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjusted Days per Audit
Days of Operation	175		175	N/A

Section 3 – Revenue

Restricted Income	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Child Nutrition Programs	25,988		25,988
County Maintenance of Effort (EC Section 8260)			0
Other:			0
Other:			0
TOTAL RESTRICTED INCOME	**25,988**	**0**	**25,988**

Transfer from Reserve	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Transfer from Preschool Reserve Account			0

Other Income	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Waived Family Fees for Certified Children			0
Interest Earned on Child Development Apportionment Payments			0
Unrestricted Income: Fees for Non-Certified Children			0
Unrestricted Income: Head Start			0
Other:			0
Other:			0

Section 4 - Reimbursable Expenses

Cost Category	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Direct Payments to Providers (FCCH only)			0
1000 Certificated Salaries	113,492		113,492
2000 Classified Salaries	206,330		206,330
3000 Employee Benefits	24,089		24,089
4000 Books and Supplies	9,328		9,328
5000 Services and Other Operating Expenses	135,480		135,480
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Equipment Replacement (program-related)			0
Depreciation or Use Allowance			0
Start-up Expenses (service level exemption)			0
Indirect Costs (include in Total Administrative Cost)			0
TOTAL REIMBURSABLE EXPENSES	**488,719**	**0**	**488,719**

Does the agency have an indirect cost rate approved by its cognizant agency (Select YES or NO)? ☐ Yes ☑ No

Approved Indirect Cost Rate:

Specific Items of Reimbursable Expenses	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Total Administrative Cost (included in Reimbursable Expenses)	71,662	(2,252)	69,410
Total Staff Training Cost (included in Reimbursable Expenses)	3,572		3,572

☑ NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 4.

Section 6 - Summary

Description	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Total Certified Days of Enrollment (including MHCS)	9,574	(4,416)	5,158
Days of Operation	175	0	175
Days of Attendance (including MHCS)	7,229	(2,071)	5,158
Total Certified Adjusted Days of Enrollment	N/A	N/A	4,645.8019
Total Non-Certified Adjusted Days of Enrollment	N/A	N/A	0.0000
Restricted Program Income	25,988	0	25,988
Transfer from Preschool Reserve Account	0	0	0
Interest Earned on Apportionment Payments	0	0	0
Direct Payments to Providers	0	0	0
Start-up Expenses (service level exemption)	0	0	0
Total Reimbursable Expenses	488,719	0	488,719
Total Administrative Cost	71,662	(2,252)	69,410
Total Staff Training Cost	3,572	0	3,572
Non-Reimbursable Cost (State Use Only)	N/A	N/A	

Section 7 – Auditor's Assurances

Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Education Division:

Eligibility, enrollment and attendance records are being maintained as required (Select YES or NO): ☑ Yes ☐ No

Reimbursable expenses claimed in Section 4 are eligible for reimbursement, reasonable, necessary, and adequately supported (Select YES or NO): ☑ Yes ☐ No

Section 8 – Comments

Include any comments in the comment box. If necessary, attach additional sheets to explain adjustments.

The total Administrative costs reported exceeded the 15% limit by $2,252.
Days of enrollment and attendance for FY2022-23 were over-reported in CPARIS. No questioned costs. See Finding 2023-001 in the schedule of findings and questioned costs for details.

California State Preschool Program – Form 1
Certified Children Days of Enrollment and Attendance

Service County: Los Angeles

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years Old Full-time-plus			0	2.1240	0.0000
Three Years Old Full-time			0	1.8000	0.0000
Three Years Old Part-time	2,950	(532)	2,418	1.1401	2,756.7618
Four Years and Older Full-time-plus			0	1.1800	0.0000
Four Years and Older Full-time			0	1.0000	0.0000
Four Years and Older Part-time	2,207	(1,055)	1,152	0.6334	729.6768
Exceptional Needs Full-time-plus			0	2.8320	0.0000
Exceptional Needs Full-time			0	2.4000	0.0000
Exceptional Needs Part-time			0	1.5202	0.0000
Dual Language Learner Full-time-plus			0	1.4160	0.0000
Dual Language Learner Full-time			0	1.2000	0.0000
Dual Language Learner Part-time	1,477	(801)	676	0.6334	428.1784

Contractor Name: Families Forward Learning Center **Contract Number: CSPP2222**

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus			0	1.2980	0.0000
At Risk of Abuse or Neglect Full-time			0	1.1000	0.0000
At Risk of Abuse or Neglect Part-time			0	0.6334	0.0000
Severely Disabled Full-time-plus			0	2.8320	0.0000
Severely Disabled Full-time			0	2.4000	0.0000
Severely Disabled Part-time			0	1.5202	0.0000
TOTAL CERTIFIED DAYS OF ENROLLMENT	**6,634**	**(2,388)**	**4,246**	N/A	**3,914.6170**

Attendance	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
DAYS OF ATTENDANCE	**5,158**	**(912)**	**4,246**	N/A	N/A

Contractor Name: Families Forward Learning Center **Contract Number: CSPP2222**

California State Preschool Program – Form 2
Certified Children Receiving Mental Health Consultation Services
Days of Enrollment and Attendance

Service County: Los Angeles

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years Old Full-time-plus			0	2.2240	0.0000
Three Years Old Full-time			0	1.9000	0.0000
Three Years Old Part-time	702	(579)	123	1.2401	152.5323
Four Years and Older Full-time-plus			0	1.2800	0.0000
Four Years and Older Full-time			0	1.1000	0.0000
Four Years and Older Part-time	999	(386)	613	0.7334	449.5742
Exceptional Needs Full-time-plus			0	2.9320	0.0000
Exceptional Needs Full-time			0	2.5000	0.0000
Exceptional Needs Part-time			0	1.6202	0.0000
Dual Language Learner Full-time-plus			0	1.5160	0.0000
Dual Language Learner Full-time			0	1.3000	0.0000
Dual Language Learner Part-time	1,239	(1,063)	176	0.7334	129.0784

Contractor Name: Families Forward Learning Center **Contract Number: CSPP2222**

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus			0	1.3980	0.0000
At Risk of Abuse or Neglect Full-time			0	1.2000	0.0000
At Risk of Abuse or Neglect Part-time			0	0.7334	0.0000
Severely Disabled Full-time-plus			0	2.9320	0.0000
Severely Disabled Full-time			0	2.5000	0.0000
Severely Disabled Part-time			0	1.6202	0.0000
TOTAL CERTIFIED DAYS OF ENROLLMENT WITH MENTAL HEALTH CONSULTATION SERVICES	**2,940**	**(2,028)**	**912**	N/A	**731.1849**

Attendance	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
DAYS OF ATTENDANCE	**2,071**	**(1,159)**	**912**	N/A	N/A

Maginnis Knechtel & McIntyre LLP
Certified Public Accountants and Consultants

300 West Colorado Boulevard
Pasadena, CA 91105-1824
(626) 449-3466
Fax (626) 577-9361

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Families Forward Learning Center
Los Angeles, California

We have audited, in accordance with the 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, the financial statements of Families Forward Learning Center (the Center), a nonprofit organization, which comprise the statement financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control exists* when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item Finding 2023-001 that we consider to be a significant deficiency.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether Families Forward Learning Center (the Center), financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and the *CDE Audit Guide,* and which is described in the accompanying schedule of findings and questioned costs as item Finding 2023-001.

Families Forward Learning Center's Response to Finding

Families Forward Learning Center's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Families Forward Learning Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maginnis Knechtel & McIntyre, LLP

Pasadena, California
December 14, 2023

FAMILIES FORWARD LEARNING CENTER

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal and State Awards

Federal awards reported in total did not exceed $750,000.

Type of auditor's report issued on compliance for Major programs:	N/A
Any audit findings disclosed that are required to be reported in accordance with Uniform Grant Guidance, at 1 CFR Part 200.515 (d)(1)(vi)	N/A
Identification of Major Programs:	N/A
Dollar threshold used to distinguish between Type A and Type B Programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement of Findings

See Finding 2023-001 in the State Awards Findings section

Section III - Federal Awards Findings and Questioned Costs

Not applicable – not a Uniform Guidance Audit

FAMILIES FORWARD LEARNING CENTER

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section IV - State Awards Findings and Questioned Costs

Finding 2023-001: CSPP2222 days of enrollment and attendance incorrectly reported in CPARIS for Fiscal Year 2022-23

1. **Program information:** CDE State Preschool Contact CSPP2222 (no federal component).

2. **Criteria:** The Enrollment, Attendance, and Fiscal Reporting, and Reimbursement Procedures for Early Education Contracts Fiscal Year 2022-23 states that "a child's enrollment shall not be reported in more than one category for any given day", and "under no circumstances should a child's day of enrollment be reported in both ECMHCS [early childhood mental health consultation services] and non-ECMHCS categories."

3. **Condition:** The contractor over-reported enrollment and attendance data in the CDE's California Preschool Accounting Reporting Information System (CPARIS) for its contract CSPP2222 by 2,388 days for Total Certified Days of Enrollment, 2,028 days for Total Certified Days of Enrollment with Mental Health Consultation Services, and by 2,071 days for Days of Attendance (including MHCS) as reported on the AUD Form 8501.

4. **Questioned costs:** No questioned costs. Per CDE 2022-23 California State Preschool Contract Changes letter published on October 20, 2022, Fiscal Year 2022-23 California State Preschool Program hold harmless for attendance. AB 210 specifies that in FY2022-23, CSPP contractors are to be reimbursed the lesser of 100 percent of the contract MRA or net reimbursable program costs [upon meeting certain criteria].

5. **Effect and Context:** For FY2022-23, CSPP holds harmless for attendance, and CSPP contractors are to be reimbursed the lesser of 100 percent of the contract MRA or net reimbursable program costs. However, incorrectly reporting days of enrollment and attendance data in future fiscal years may affect reimbursable program cost calculation and fund determination.

6. **Cause:** Lack of training and guidance on how to complete new CPARIS forms. The contractor reported enrollment and attendance days for children identified for ECMHCS in both ECMHCS and non-ECMHS categories, therefore duplicated some children's days of enrollment and attendance reported in the system. Additionally, there were inadvertent data input errors in the fourth quarter's enrollment and attendance days reporting.

7. **Recommendation:** We recommend that management obtain additional training and support to better understand the data reporting requirements in CPARIS. Management should also utilize and follow the fiscal handbook published by the CDE (The Enrollment, Attendance, and Fiscal Reporting, and Reimbursement Procedures for Early Education Contracts). Additionally, management can improve its internal control procedures over the CPARIS reporting by designating either an internal person or outsourcing to an external party to review and verify the data against summarized source data before certifying and submitting the data in CPARIS.

FAMILIES FORWARD LEARNING CENTER

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Section IV - State Awards Findings and Questioned Costs

Finding 2023-001: CSPP2222 days of enrollment and attendance incorrectly reported in CPARIS for Fiscal Year 2022-23, continued

8. **Views of Responsible Officials and Planned Corrective Actions**:

   The Executive Director and Program Director responsible for the fiscal reporting, and enrollment and attendance reporting, respectively, took the CSPP Fiscal Training Webinar presented by CDE on November 7-9, 2023.

   Upon the recommendation of the fiscal training and the agency's auditing firm, management will develop and utilize an additional tracking system to ensure accurate enrollment reporting, inclusive of Certified Children Receiving Early Mental Health Consultation Services (EMHCS). This new tracking system will be cross-referenced and reconciled with the Attendance and Enrollment Register Form CD 9400 currently utilized by the agency.

FAMILIES FORWARD LEARNING CENTER

Status of Prior Year Findings
For the Year Ended June 30, 2023

Section V – Status of Corrective Action on Prior Year Findings

The following prior year finding is resolved and closed.

2022-01: Failure to Reconcile CDNFS 8501 Reports to Accounting Records

Program Information: CDE State Preschool Contract CSPP-1228.

Condition: The Center claimed $723,590 in allowable reimbursable expenses based on the CDNFS 8501 submitted to the CDE for the year ended June 30, 2022. The CDNFS 8501 reports were based on expenses summarized by management. However, the total expenses reported for the CSPP contract within QuickBooks were $644,234.