

**MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
With Independent Auditor's Report Thereon
JUNE 30, 2020
With Summarized Information for June 30, 2019**

MOTHER’S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
FINANCIAL STATEMENTS
JUNE 30, 2020
With Summarized Information for June 30, 2019

Table of Contents

| | |
|--|-------|
| INDEPENDENT AUDITOR’S REPORT | 1-2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position..... | 3 |
| Statements of Activities | 4 |
| Statements of Cash Flows | 5 |
| Statement of Functional Expenses 2020 | 6 |
| Statement of Functional Expenses 2019 | 7 |
| Notes to Financial Statements..... | 8-22 |
| SUPPLEMENTARY FINANCIAL INFORMATION | |
| Independent Auditor’s Report on Required Supplementary Information..... | 23 |
| Schedule of Federal and State Awards..... | 24 |
| Combining Schedule of Activities | 25 |
| Reconciliation of CDE and GAAP Revenue Reporting | 26 |
| Combining Schedule of Expenditures by State Categories..... | 27 |
| Schedule of Reimbursable Expenditures for Renovation and Repairs | 28 |
| Schedule of Reimbursable Equipment | 29 |
| Schedule of Reimbursable Administrative Costs..... | 30 |
| Schedule of Reimbursable Start-Up Costs..... | 31 |
| Audited Attendance and Fiscal Report CSPP – 9227 | 32-36 |
| OTHER REPORTS | |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 37-38 |
| General Information | 39 |
| Schedule of Findings and Questioned Costs | 40 |
| Status of Prior Year Findings | 41-44 |

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, 2020, 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.

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2021, 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

A handwritten signature in cursive script that reads "Fechter & Company, CPAs".

Sacramento, California
February 15, 2021

FINANCIAL STATEMENTS

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statements of Financial Position
June 30, 2020
With Summarized Financial Information as of June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | 2020 Total | 2019 Summarized Total |
|---|-------------------------------|----------------------------|---------------------|-----------------------------|
| <u>ASSETS</u> | | | | |
| TOTAL CURRENT ASSETS | | | | |
| Cash | \$ 96,188 | \$ - | \$ 96,188 | \$ 92,571 |
| Cash restricted for Payroll Protection Program Loan | 182,121 | - | 182,121 | - |
| Investments at fair value | 517,248 | 479,733 | 996,981 | 1,186,665 |
| Grants and accounts receivable | 160,142 | - | 160,142 | 175,423 |
| Prepaid expenses | 12,059 | - | 12,059 | 3,262 |
| | | | | |
| TOTAL CURRENT ASSETS | 967,758 | 479,733 | 1,447,491 | 1,457,921 |
| | | | | |
| Property and equipment, net (Note 9) | 4,839,847 | - | 4,839,847 | 4,977,568 |
| | | | | |
| TOTAL ASSETS | <u>\$ 5,807,605</u> | <u>\$ 479,733</u> | <u>\$ 6,287,338</u> | <u>\$ 6,435,489</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and other accruals | \$ 27,061 | \$ - | \$ 27,061 | \$ 82,916 |
| Accrued expenses | 3,954 | - | 3,954 | - |
| Payroll Protection Program Loan | 298,320 | - | 298,320 | - |
| Accrued vacation | 37,000 | - | 37,000 | 27,229 |
| | | | | |
| TOTAL CURRENT LIABILITIES | 366,335 | - | 366,335 | 110,145 |
| | | | | |
| NET ASSETS | | | | |
| Without donor restrictions | 5,441,270 | - | 5,441,270 | 5,938,492 |
| With donor restrictions: | | | | |
| Foundation | - | 100,000 | 100,000 | 7,119 |
| Endowment unappropriated | - | 119,105 | 119,105 | 119,105 |
| 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 | 5,441,270 | 479,733 | 5,921,003 | 6,325,344 |
| | | | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,807,605</u> | <u>\$ 479,733</u> | <u>\$ 6,287,338</u> | <u>\$ 6,435,489</u> |

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statements of Activities
June 30, 2020
With Summarized Financial Information as of June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | 2020 Total | 2019 Summarized Total |
|--|-------------------------------|----------------------------|---------------|-----------------------------|
| SUPPORT AND REVENUE | | | | |
| Support: | | | | |
| Government contracts | \$ - | \$ 768,004 | \$ 768,004 | \$ 797,741 |
| Contributions | 230,109 | 416,087 | 646,196 | 541,647 |
| Donated services | 19,000 | - | 19,000 | 19,000 |
| COVID Relief | 25,500 | - | 25,500 | - |
| Special events | 143,085 | - | 143,085 | 134,257 |
| Total Support | 417,694 | 1,184,091 | 1,601,785 | 1,492,645 |
| Revenues: | | | | |
| Investment income | 8,820 | - | 8,820 | 69 |
| Net unrealized/realized gain (loss) on investments | 3,095 | - | 3,095 | (5,591) |
| Total Revenue | 11,915 | - | 11,915 | (5,522) |
| Net assets released from restrictions | 1,091,210 | (1,091,210) | - | - |
| Total Support, Revenue, and Reclassifications | 1,520,819 | 92,881 | 1,613,700 | 1,487,123 |
| EXPENSES | | | | |
| Program services | 1,651,327 | - | 1,651,327 | 1,669,840 |
| Supporting services: | | | | |
| General and administration | 180,651 | - | 180,651 | 120,889 |
| Fundraising | 186,063 | - | 186,063 | 173,646 |
| Total Expenses | 2,018,041 | - | 2,018,041 | 1,964,375 |
| Change in Net Assets | (497,222) | 92,881 | (404,341) | (477,252) |
| Net Assets at Beginning of Period | 5,938,492 | 386,852 | 6,325,344 | 6,802,596 |
| Net Assets at Ending of Period | \$ 5,441,270 | \$ 479,733 | \$ 5,921,003 | \$ 6,325,344 |

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statements of Cash Flows
June 30, 2020
With Summarized Financial Information as of June 30, 2019

| | 2020 | 2019 Summarized |
|---|--------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (404,341) | \$ (477,252) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 147,394 | 141,171 |
| Net realized/unrealized (gain) loss on investments | (3,095) | 5,591 |
| Change in: | | |
| Grants and accounts receivable | 15,281 | 54,700 |
| Prepaid expenses and deposits | (8,797) | (1,164) |
| Accounts payable and accrued vacation | (42,130) | 28,311 |
| Net Cash Used by Operating Activities | <u>(295,688)</u> | <u>(248,643)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (9,673) | (58,756) |
| Proceeds from sale of investments | 522,090 | 896,793 |
| Purchase of investments | <u>(329,311)</u> | <u>(696,192)</u> |
| Net Cash Provided by Investing Activities | 183,106 | 141,845 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Payroll Protection Program loan | <u>298,320</u> | - |
| Net Cash Provided by Financing Activities | <u>298,320</u> | - |
| Increase/(Decrease) in cash during the year | 185,738 | (106,798) |
| Cash, beginning of year | <u>92,571</u> | <u>199,369</u> |
| Cash, end of year | <u><u>\$ 278,309</u></u> | <u><u>\$ 92,571</u></u> |
| SUMMARY OF CASH | | |
| Cash | \$ 96,188 | \$ 92,571 |
| Cash restricted for Payroll Protection Program Loan | <u>182,121</u> | - |
| Totals | <u><u>\$ 278,309</u></u> | <u><u>\$ 92,571</u></u> |

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statement of Functional Expenses
June 30, 2020

| | Program Services | General & Administrative | Fundraising | Total Expenses |
|--|---------------------|-----------------------------|-------------------|---------------------|
| Salaries and wages | \$ 1,112,369 | \$ 108,188 | \$ 72,552 | \$ 1,293,109 |
| Payroll taxes | 82,783 | 7,141 | 6,121 | 96,045 |
| Employee benefits | 98,353 | 7,128 | 3,203 | 108,684 |
| TOTAL SALARIES & RELATED EXPENSES | 1,293,505 | 122,457 | 81,876 | 1,497,838 |
| Accounting and professional services | 20,503 | 10,975 | 61,805 | 93,283 |
| Children's program | 21,996 | 46 | - | 22,042 |
| Depreciation | 115,439 | 23,681 | 8,274 | 147,394 |
| Insurance | 25,886 | 276 | 316 | 26,478 |
| Nutrition | 31,312 | - | - | 31,312 |
| Newsletter | - | - | 6,245 | 6,245 |
| Office supplies | 11,666 | 10,066 | - | 21,732 |
| Parent supplies | 16,853 | - | - | 16,853 |
| Property tax | 2,627 | 27 | 54 | 2,708 |
| Public relations | - | 2,237 | 5,441 | 7,678 |
| Repairs and maintenance | 33,373 | 2,958 | 517 | 36,848 |
| Special event | 3,754 | 1,139 | 20,070 | 24,963 |
| Staff development | 20,292 | 2,681 | 168 | 23,141 |
| Telephone | 13,529 | 610 | 186 | 14,325 |
| Workers compensation insurance | 14,343 | 2,765 | 884 | 17,992 |
| Outside services | 716 | - | - | 716 |
| Utilities | 25,533 | 733 | 227 | 26,493 |
| TOTAL EXPENSES | \$ 1,651,327 | \$ 180,651 | \$ 186,063 | \$ 2,018,041 |

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 services | 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 |
| 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 |
| Workers compensation insurance | 38 | - | - | 38 |
| Outside services | 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.

NOTES TO FINANCIAL STATEMENTS

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

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.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – (continued)

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. To address such reporting differences, the audit report includes a Reconciliation of CDE and GAAP Expense Reporting. In addition, revenues recognized to the extent of reimbursable expenditures in connection with the Payroll Protection Program loan are also reported in this schedule.

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.

Contributions and Grant Revenue

The Center receives contributions and grants from federal, state, and local government entities, corporations, and individuals. 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.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – (continued)

Contributions and Grant Revenue – (continued)

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.

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.
- **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 7, 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.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – (continued)

Net Assets – (continued)

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.

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

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.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – (continued)

Advertising Costs

The production 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.

Risks and Uncertainties

The Center has concentrations in the following areas:

- Support and Revenue: Two funding streams, government contracts and foundation grants, constitute 82% and 77% of total support and revenue for the years ended June 30, 2020 and 2019, respectively.
- Grants Receivable: Four contributors constitute 98% and 92% of total grants receivable at June 30, 2020, and 2019, 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.

The Center's form 990, *Return of Center Exempt from Income Tax*, for the years ended June 30, 2016, 2017, 2018, and 2019, 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, 2020.

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 \$19,000 for the years ended June 30, 2020 and 2019, respectively.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 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.

New Pronouncement

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. This ASU became effective December 31, 2019. The Center is currently evaluating the potential impact of adopting this standard and does not expect it to have a material impact on the financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – (continued)

New Pronouncement – (continued)

The FASB has made a decision to provide a measure of relief to organizations focused on the COVID-19 pandemic and defer the effective date of the Revenue Recognition accounting standard.

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

The Center classifies current assets as financial assets available within one year of the balance sheet date. As of June 30, 2020, the Center has \$1.4 M of current financial assets available to meet cash needs for general expenditures; which consists of \$96,188 in cash, \$996,981 in investments, and \$160,142 in grants and accounts receivable. 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, 2020, totaled \$479,733 (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 10, 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 \$9,067 at June 30, 2020.

The Center also applied for and was approved for a \$298,320 SBA Paycheck Protection Program (PPP loan) as summarized in Note 12. The proceeds are held in an interest-bearing account separate from the operating cash and is restricted for COVID-19 related payroll and other approved costs. The unused proceeds were \$182,121 at June 30, 2020. 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.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 4: MEASURE OF OPERATION – STATEMENT OF ACTIVITIES – (continued)

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, 2020 and 2019, 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, 2020 and 2019, the Center's cash accounts at the brokerage firm were below the insured coverage limit for 2020 and 2019.

NOTE 6: INVESTMENTS

The Center's investments at June 30, 2020, are comprised of the following:

| | Fair Value | Cost | Appreciation (Depreciation) |
|--------------------|-------------------|-------------------|--------------------------------|
| Fixed income funds | \$ 74,932 | \$ 48,230 | \$ 26,702 |
| Equities | 922,049 | 733,276 | 188,773 |
| Total investments | <u>\$ 996,981</u> | <u>\$ 781,506</u> | <u>\$ 215,475</u> |

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 | <u>\$ 1,186,665</u> | <u>\$ 979,150</u> | <u>\$ 207,515</u> |

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).

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 6: 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 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.

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, 2020:

| Assets | Total | Quoted market prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---------------------------------|-------------------|---|---|--|
| Fixed income funds | \$ 74,932 | \$ 74,932 | \$ - | \$ - |
| Equities | 922,049 | 922,049 | - | - |
| Total investments at fair value | <u>\$ 996,981</u> | <u>\$ 996,981</u> | <u>\$ -</u> | <u>\$ -</u> |

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 | <u>\$ 1,186,665</u> | <u>\$ 1,186,665</u> | <u>\$ -</u> | <u>\$ -</u> |

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 7: 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 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, 2020 and 2019, respectively.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 7: ENDOWMENT INVESTMENTS – (continued)

At June 30, 2020 and 2019, 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, 2020 and 2019:

| | Endowment Restricted | Permanently Restricted | Total |
|---------------------------------------|-------------------------|---------------------------|-------------------|
| Endowment net assets at June 30, 2018 | \$ 96,149 | \$ 123,500 | \$ 219,649 |
| Investment activity | <u>22,956</u> | <u>--</u> | <u>22,956</u> |
| Endowment net assets at June 30, 2019 | <u>\$ 119,105</u> | <u>\$ 123,500</u> | <u>\$ 242,605</u> |
| Investment activity | <u>0</u> | <u>--</u> | <u>0</u> |
| Endowment net assets at June 30, 2020 | <u>\$ 119,105</u> | <u>\$ 123,500</u> | <u>\$ 242,605</u> |

NOTE 8: GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable at June 30, 2020 and 2019, comprise of the following:

| | 2020 | 2019 |
|--|-------------------|-------------------|
| California State Preschool Program (CSPP 7224) * | \$ -- | \$ 70,324 |
| California State Preschool Program (CSPP 8225) * | -- | 46,614 |
| California State Preschool Program (CSPP 9227) * | 10,238 | -- |
| California Child Care Food Program | -- | 7,437 |
| Early Head Start | 31,564 | 30,957 |
| HUB 2019-20 | 2,300 | -- |
| Other grants | 10,000 | -- |
| Contributions and donations | <u>106,040</u> | <u>20,091</u> |
| Total grants and accounts receivable | <u>\$ 160,142</u> | <u>\$ 175,423</u> |

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 8: GRANTS AND ACCOUNTS RECEIVABLE – (continued)

A summary of the apportionments due from CDE for the CSPP contracts for June 30, 2020 and 2019, are as follows:

| | <u>CSPP 9227</u> | <u>CSPP 8225</u> |
|--|------------------|------------------|
| Reimbursable expenditures earned | \$ -- | \$ 325,340 |
| Less: Apportionment as of fiscal year end* | -- | (278,726) |
| Amount due from CDE | <u>\$ --</u> | <u>\$ 46,614</u> |

*The Center was 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 \$278,726 from the CDE for the year ended June 30, 2019, in the Statement of Combining Activities. Any apportionments earned but not received from the CDE as of the fiscal year 2019 are reported as Due from CDE.

NOTE 9: PROPERTY AND EQUIPMENT

The following is a summary of property, plant, and equipment at June 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Fair Oaks land | \$ 1,825,000 | \$ 1,825,000 |
| Fair Oaks building | 4,346,857 | 4,346,857 |
| Furniture and fixtures | 406,300 | 404,456 |
| Photovoltaic system | 170,975 | 170,975 |
| Acquisition and closing costs | 39,673 | 39,673 |
| Building improvements | 108,000 | 108,000 |
| Intangible software | 94,774 | 94,318 |
| Computer equipment | 96,835 | 89,462 |
| Total property and equipment | <u>7,088,414</u> | <u>7,078,741</u> |
| Less: Accumulated depreciation and amortization | <u>(2,248,567)</u> | <u>(2,101,173)</u> |
| Property and equipment, net | <u>\$ 4,839,847</u> | <u>\$ 4,977,568</u> |

Depreciation expense for the years ended June 30, 2020 and 2019, was \$147,394 and \$141,171, respectively.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 10: 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, 2020 and 2019, are \$9,067 and \$17,101, respectively, and is included in Accounts Payable.

NOTE 11: 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 12: PAYROLL PROTECTION PROGRAM LOAN

On April 22, 2020, the Center received the SBA Paycheck Protection Program loan (PPP loan) for \$298,320. The loan bears an interest rate of 1.0% and matures on April 22, 2022. The loan proceeds are to be used for approved payroll and other allowable costs used over a period of twenty-four weeks. Under the terms of the loan agreement with SBA, loan proceeds will be forgiven when the Center has provided proof that the loan proceeds were used for eligible payroll and other costs. As of June 30, 2020, the SBA has not evaluated when the amounts reported at year end will be forgiven.

The Center used \$116,199 in loan proceeds, of which the Center applied \$36,073 of the proceeds to payroll and other costs which were reported as restricted income and reimbursable expenses in reports submitted to the California Department of Education for contract CSPP 9227. The unused funds are reported as restricted cash.

NOTE 13: DONOR RESTRICTED NET ASSETS

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

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Foundation (Head Start and Technology) | \$ 100,000 | \$ 7,119 |
| Endowment unappropriated | 119,105 | 119,105 |
| Capital maintenance reserve | 100,000 | 100,000 |
| Endowment permanently restricted | 123,500 | 123,500 |
| Kujawa staff development | 37,128 | 37,128 |
| | <hr/> | <hr/> |
| Total donor restricted net assets | <u>\$ 479,733</u> | <u>\$ 386,852</u> |

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

NOTE 14: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2020 and 2019, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|-------------------|
| Early Childhood Education Program | \$ 1,091,210 | \$ 766,752 |
| Foundation (Head Start and Technology) | -- | 198,881 |
| Adopt a family | <u>--</u> | <u>17,465</u> |
| | <u>\$ 1,091,210</u> | <u>\$ 983,098</u> |

NOTE 15: COMMITMENTS AND CONTINGENCIES

The Center has received federal, California Department of Education (CDE), 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.

This estimated amount due to CDE was recorded as a liability in the Statement of Financial Position. 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. The plan is an insured, defined contribution pension plan, covering all full-time employees who have worked for the Center a minimum of two years and have reached the age of twenty-one. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement. 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, 2020 and 2019. Total support received from the fundraising event for the year ended June 30, 2020, was \$143,085, with cost incurred of \$24,963.

Total support received from the fundraising event for the year ended June 30, 2019, was \$134,257, with cost incurred of \$31,386. The net proceeds from these events went towards program operations.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Notes to Financial Statements
For the Year Ended
June 30, 2020
With Summarized Information for June 30, 2019

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, 2020, the Center has evaluated subsequent events for potential recognition and disclosure through February 15, 2021, the date the financial statements were available, and determined that there were no other items to disclose or adjustments to be made.

In January 2020, the virus SARS-CoV-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19, has proven to be extremely virulent with transmission rates as yet unknown. In response to COVID-19, the Governor of California issued a Shelter in Place order.

During the Shelter in Place period, the Center remained open, however staff worked from home. The economic impact to the Center has yet to be determined and, therefore; any potential impact on the Center as of the date of this report, is not yet known.

SUPPLEMENTARY FINANCIAL INFORMATION



Craig R. Fechter, CPA, MST

**INDEPENDENT AUDITOR'S REPORT ON
REQUIRED SUPPLEMENTARY INFORMATION**

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

We have audited the accompanying supplemental financial information listed in the table of content for the CSPP 9227 contracts of Mother's Club Family Learning Center dba Families Forward Learning Center for the years ended June 30, 2020 and 2019, and the related notes the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary financial information on pages 20-33 is presented for purposes of additional analysis in conformity with the *California Department of Education Audit Guide*. Such information, although not part of the basic financial statements, is required by the California Department of Education, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Fechter & Company,
Certified Public Accountants

Sacramento, California
February 15, 2021

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

Schedule of Federal and State Awards
For the Year Ended June 30, 2020

| Program Name | Federal Catalog Number | Grantor's Number | Program or Award Amount | Disbursements/ Expenditures |
|---|------------------------------|----------------------|-------------------------------|--------------------------------|
| Federal: | | | | |
| <u>U.S. Department of Agriculture</u> | | | | |
| Passed through California Department of Education | | | | |
| Child and Adult Care Food Program | 10.558 | 05060-CACFP-19-NP-IC | \$ 60,293 | \$ 60,293 |
| Total U.S. Department of Agriculture | | | 60,293 | 60,293 |
| <u>U.S. Department of Health and Human Services</u> | | | | |
| Passed through Pacific Clinics | | | | |
| Early Head Start Program | 93.600 | N/A | 376,340 | 376,340 |
| Total U.S. Department of Health and Human Services | | | 376,340 | 376,340 |
| Total Expenditures of Federal Awards | | | \$ 436,633 | \$ 436,633 |
| State: | | | | |
| <u>California State Department of Education</u> | | | | |
| Child Development Services | | | | |
| California State Preschool Program | N/A | CSPP 9227 | 345,695 | 361,820 |
| Total Expenditures of State Awards | | | 345,695 | 361,820 |
| Total Federal and State Awards | | | \$ 782,328 | \$ 798,453 |

Note A - Basis of Accounting

The accompanying Schedule of Expenditures of Federal and State Awards is prepared on the accrual basis of accounting.

See accompanying Independent Auditor's Report and notes to financial statements.

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

Combining Schedule of Activities
For the Year Ended June 30, 2020

| | Program Activities | | | | General & Administrative | Fundraising | 2020 Totals |
|--|---------------------------|----------------------|-------------------|---------------------|-----------------------------|-------------------|---------------------|
| | CDE Childcare Services | Non-CDE Childcare | Other Program | Total Program | | | |
| | CSPP 9227 | Services | Services | Services | | | |
| SUPPORT AND REVENUE | | | | | | | |
| Support: | | | | | | | |
| Government and grants: | | | | | | | |
| California Department of Education | 313,253 | - | - | 313,253 | - | - | 313,253 |
| Child care food program | 60,293 | - | - | 60,293 | - | - | 60,293 |
| Los Angeles Universal Preschool | - | 18,118 | - | 18,118 | - | - | 18,118 |
| Early Head Start | - | 376,340 | - | 376,340 | - | - | 376,340 |
| Total Government and grants | 373,546 | 394,458 | - | 768,004 | - | - | 768,004 |
| Contributions | - | 351,252 | 70,500 | 421,752 | 224,444 | - | 646,196 |
| Donated services | - | 19,000 | - | 19,000 | - | - | 19,000 |
| COVID Relief | - | - | - | - | 25,500 | - | 25,500 |
| Special events | - | - | - | - | - | 143,085 | 143,085 |
| Total Support | 373,546 | 764,710 | 70,500 | 1,208,756 | 249,944 | 143,085 | 1,601,785 |
| Revenues: | | | | | | | |
| Investment income | - | - | - | - | 8,820 | - | 8,820 |
| Net unrealized/realized gain (loss) on investments | - | - | - | - | 3,095 | - | 3,095 |
| Total Revenues | - | - | - | - | 11,915 | - | 11,915 |
| TOTAL SUPPORT AND REVENUE | 373,546 | 764,710 | 70,500 | 1,208,756 | 261,859 | 143,085 | 1,613,700 |
| EXPENSES | | | | | | | |
| Salaries and wages | 341,639 | 693,476 | 77,254 | 1,112,369 | 108,188 | 72,552 | 1,293,109 |
| Payroll taxes | - | 78,308 | 4,475 | 82,783 | 7,141 | 6,121 | 96,045 |
| Employee benefits | 27,955 | 65,225 | 5,173 | 98,353 | 7,128 | 3,203 | 108,684 |
| Total Salaries and related expenses | 369,594 | 837,009 | 86,902 | 1,293,505 | 122,457 | 81,876 | 1,497,838 |
| Accounting and professional services | - | 14,523 | 5,980 | 20,503 | 10,975 | 61,805 | 93,283 |
| Children's program | 5,995 | 15,382 | 619 | 21,996 | 46 | - | 22,042 |
| Depreciation | - | 115,439 | - | 115,439 | 23,681 | 8,274 | 147,394 |
| Insurance | - | 16,957 | 8,929 | 25,886 | 276 | 316 | 26,478 |
| Nutrition | - | 31,312 | - | 31,312 | - | - | 31,312 |
| Newsletter | - | - | - | - | - | 6,245 | 6,245 |
| Office supplies | 1,977 | 6,458 | 3,231 | 11,666 | 10,066 | - | 21,732 |
| Parent supplies | - | 2,175 | 14,678 | 16,853 | - | - | 16,853 |
| Property tax | - | 1,814 | 813 | 2,627 | 27 | 54 | 2,708 |
| Public relations | - | - | - | - | 2,237 | 5,441 | 7,678 |
| Repairs and maintenance | 5,808 | 20,093 | 7,472 | 33,373 | 2,958 | 517 | 36,848 |
| Special event | - | 2,598 | 1,156 | 3,754 | 1,139 | 20,070 | 24,963 |
| Staff development | 3,740 | 14,740 | 1,812 | 20,292 | 2,681 | 168 | 23,141 |
| Telephone | 3,380 | 9,338 | 811 | 13,529 | 610 | 186 | 14,325 |
| Workers compensation insurance | - | 13,387 | 956 | 14,343 | 2,765 | 884 | 17,992 |
| Outside services | - | 716 | - | 716 | - | - | 716 |
| Utilities | 3,541 | 13,760 | 8,232 | 25,533 | 733 | 227 | 26,493 |
| TOTAL EXPENSES | \$ 394,035 | \$ 1,115,701 | \$ 141,591 | \$ 1,651,327 | \$ 180,651 | \$ 186,063 | \$ 2,018,041 |

See accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Reconciliation of CDE and GAAP Revenue Reporting
For the Year Ended June 30, 2020

| <u>Revenues</u> | <u>CSPP 9227</u> |
|--|--------------------------|
| Total revenues reported on AUD | \$ 96,366 |
| Adjustments to Reconcile Differences in Reporting: | |
| CSPP 9227 apportionment | 313,253 |
| Payroll Protection Program loan funds used | <u>(36,073)</u> |
| Combining Statement of Activities (GAAP) | <u><u>\$ 373,546</u></u> |

See accompanying Independent Auditor's Report and notes to financial statements.

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

Combining Schedule of Expenditures by State Categories
For the Year Ended June 30, 2020

| | CSPP 9227 |
|--|-------------------|
| Expenditures | |
| 1000 Certificated services | \$ 276,574 |
| 2000 Classified salaries | 65,065 |
| 3000 Employee benefits | 27,956 |
| 4000 Books and supplies | 5,994 |
| 5000 Services and other operating expenses | 18,446 |
| 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 | <u>\$ 394,035</u> |

Notes:

- (a) A written indirect cost allocation plan for the current fiscal year, approved by the Board of Directors, is on file in the main accounting office of Mother's Club Learning Center.
- (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.

See accompanying Independent Auditor's Report and notes to financial statements.

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

Schedule of Reimbursable Expenditures for Renovation and Repairs
June 30, 2020

| | |
|--|------|
| | CSPP |
| | 9227 |
| <u>Unit Cost Under \$10,000 Per Item</u> | |
| None | \$ - |
| <u>Unit Cost Over \$10,000 Per Item with CDE Approval</u> | |
| None | - |
| <u>Unit Cost Over \$10,000 Per Item without CDE Approval</u> | |
| None | \$ - |

See accompanying notes to financial statements.

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

Schedule of Reimbursable Equipment
June 30, 2020

| | CSPP 9227 |
|---|--------------|
| <u>Unit Cost Under \$7,500 Per Item</u> | |
| None | \$ - |
| <u>Unit Cost Over \$7,500 Per Item with CDE Approval</u> | |
| None | - |
| <u>Unit Cost Over \$7,500 Per Item without CDE Approval</u> | \$ - |
| None | |

See accompanying notes to financial statements.

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

Schedule of Reimbursable Administrative Costs
June 30, 2020

| <u>Reimbursable Administrative Costs</u> | <u>CSPP 9227</u> |
|---|----------------------|
| Salaries | \$ 7,215 |
| Employee benefits | - |
| Books and supplies | - |
| Services and other operating expenses | 3,580 |
| Depreciation on Non-CDE-funded assets used in program | - |
| Indirect Costs | - |
| Total | <u>\$ 10,795</u> |

See accompanying notes to financial statements.

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

Schedule of Reimbursable Start-Up Costs
June 30, 2020

| <u>Reimbursable Start-Up Expenses</u> | <u>CSPP 9227</u> |
|---|------------------------|
| 1000 Certificated salaries | \$ - |
| 2000 Classified salaries | - |
| 3000 Employee benefits | - |
| 4000 Books and supplies | - |
| 5000 Services and other operating expenses | - |
| Subtotal | <u>-</u> |
| 6100-6200 Other approved capital outlay | |
| 6400 New equipment | - |
| 6500 Replacement equipment | - |
| | <u>-</u> |
| Total | <u><u>\$ -</u></u> |

See accompanying notes to financial statements.

**California Department of Education
Audited Attendance and Fiscal Report for
California State Preschool Programs**

A U D 8501 Page 1 of 8

Fiscal Year Ending **June 30, 2020**

Contract Number **CSPP 9227**

Vendor Code **Z087**

Full Name of Contractor **MOTHER'S CLUB FAMILY LEARNING CENTER (DBA FAMILIES FORWARD LEARNING CENTER)**

Section 1 - Days of Enrollment Certified Children

| | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit | Column D Adjustment Factor | Column E Adjusted Days per Audit |
|--|--------------------------------------|----------------------------------|-------------------------------------|----------------------------------|--|
| Three Years and Older Full-time-plus | | | | 1.1800 | 0 |
| Three Years and Older Full-time | | | | 1.0000 | 0 |
| Three Years and Older Three-quarters-time | | | | 0.7500 | 0 |
| Three Years and Older One-half-time | 11,136 | 681 | 11,817 | 0.6193 | 7,318.2681 |
| Exceptional Needs Full-time-plus | | | | 1.8172 | 0 |
| Exceptional Needs Full-time | | | | 1.5400 | 0 |
| Exceptional Needs Three-quarters-time | | | | 1.1550 | 0 |
| Exceptional Needs One-half-time | | | | 0.9537 | 0 |
| Limited and Non-English Proficient Full-time-plus | | | | 1.2980 | 0 |
| Limited and Non-English Proficient Full-time | | | | 1.1000 | 0 |
| Limited and Non-English Proficient Three-quarters-time | | | | 0.8250 | 0 |
| Limited and Non-English Proficient One-half-time | | | | 0.6193 | 0 |

Full Name of Contractor

MOTHER'S CLUB FAMILY LEARNING CENTER (DBA FAMILIES FORWARD LEARNING CENTER)

Section 1 - Days of Enrollment Certified Children (continued)

| | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit | Column D Adjustment Factor | Column E Adjusted Days per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|----------------------------------|--|
| At Risk of Abuse or Neglect Full-time-plus | | | | 1.2980 | 0 |
| At Risk of Abuse or Neglect Full-time | | | | 1.1000 | 0 |
| At Risk of Abuse or Neglect Three-quarters-time | | | | 0.8250 | 0 |
| At Risk of Abuse or Neglect One-half-time | | | | 0.6193 | 0 |
| Severely Disabled Full-time-plus | | | | 2.2774 | 0 |
| Severely Disabled Full-time | | | | 1.9300 | 0 |
| Severely Disabled Three-quarters-time | | | | 1.4475 | 0 |
| Severely Disabled One-half-time | | | | 1.1952 | 0 |
| TOTAL DAYS OF ENROLLMENT | 11,136 | 681 | 11,817 | N/A | 7,318.2681 |
| DAYS OF OPERATION | 184 | | 184 | N/A | N/A |
| DAYS OF ATTENDANCE | 10,294 | | 10,294 | N/A | N/A |

☒ NO NON-CERTIFIED CHILDREN Check this box (omit pages 3 and 4) and continue to Revenue Section on page 5.

Full Name of Contractor MOTHER'S CLUB FAMILY LEARNING CENTER (DBA FAMILIES FORWARD LEARNING CENTER)

Section 3 - Revenue

| | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|
| Restricted Income - Child Nutrition Programs | 60,293 | | 60,293 |
| Restricted Income - County Maintenance of Effort (EC Section 8279) | | | |
| Restricted Income - Other: Payroll Protection Program loan proceeds | | 36,073 | 36,073 |
| Restricted Income - Subtotal | 60,293 | 36,073 | 96,366 |
| Transfer from Reserve - General | | | |
| Transfer from Reserve - Professional Development | | | |
| Transfer from Reserve Total | | | |
| Family Fees for Certified Children | | | |
| Interest Earned on Child Development Apportionment Payments | | | |
| Unrestricted Income - Fees for Non-Certified Children | | | |
| Unrestricted Income - Head Start | | | |
| Unrestricted Income - Other: | | | |
| Total Revenue | 60,293 | 36,073 | 96,366 |

Comments: FFLC was awarded a Payroll Protection Program loan during the fiscal year and used \$36,073 to supplement payroll and other allowable costs for the last two months of June 30, 2020. FFLC was approved for and has applied Emergency Closure Credits 681 in days of attendance per Management Bulletin 20-11.

Full Name of Contractor **MOTHER'S CLUB FAMILY LEARNING CENTER (DBA FAMILIES FORWARD LEARNING CENTER)****Section 4 - Reimbursable Expenses**

| | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|
| Direct Payments to Providers (FCCH only) | | | |
| 1000 Certificated Salaries | 208,287 | 68,287 | 276,574 |
| 2000 Classified Salaries | 65,065 | | 65,065 |
| 3000 Employee Benefits | 27,955 | 1 | 27,956 |
| 4000 Books and Supplies | 7,120 | -1,126 | 5,994 |
| 5000 Services and Other Operating Expenses | 17,320 | 1,126 | 18,446 |
| 6100/6200 Other Approved Capital Outlay | | | |
| 6400 New Equipment (program-related) | | | |
| 6500 Equipment Replacement (program-related) | | | |
| Depreciation or Use Allowance | | | |
| Start-up Expenses (service level exemption) | | | |
| Budget Impasse Credit | | | |
| Indirect Costs (include in Total Administrative Cost) | | | |
| Non-Reimbursable (State use only) | | | |
| Total Reimbursable Expenses | 325,747 | 68,288 | 394,035 |
| Total Administrative Cost (included in Section 4 above) | 7,215 | | 7,215 |
| Total Staff Training Cost (included in Section 4 above) | 3,580 | | 3,580 |

Approved Indirect Cost Rate:

☒ NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

Full Name of Contractor MOTHER'S CLUB FAMILY LEARNING CENTER (DBA FAMILIES FORWARD LEARNING CENTER)

Section 7 - Summary

| | Column A Cumulative CDNFS 8501 | Column B Audit Adjustments | Column C Cumulative per Audit |
|---|--------------------------------------|----------------------------------|-------------------------------------|
| Total Certified Days of Enrollment | 11,136 | 681 | 11,817 |
| Days of Operation | 184 | | 184 |
| Days of Attendance | 10,294 | | 10,294 |
| Restricted Program Income | 60,293 | 36,073 | 96,366 |
| Transfer from Reserve | | | |
| Family Fees for Certified Children | | | |
| Interest Earned on Apportionment Payments | | | |
| Direct Payments to Providers | | | |
| Start-up Expenses (service level exemption) | | | |
| Total Reimbursable Expenses | 325,747 | 68,288 | 394,035 |
| Total Administrative Cost | 7,215 | | 7,215 |
| Total Staff Training Cost | 3,580 | | 3,580 |

Total Certified Adjusted Days of Enrollment 7,318.2681 Total Non-Certified Adjusted Days of Enrollment 0

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 Learning and Care Division:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box): Yes

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box): Yes

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

Page 36

OTHER REPORTS

**INDEPENDENT AUDITOR'S 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***

To the Board of Directors
Mother's Club Family Learning Center
dba Families Forward Learning Center
Pasadena, 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 Mother's Club Family Learning Center dba Families Forward Learning Center, (a Not For Profit), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, Families Forward Learning Center's internal control over financial reporting (internal control) to determine the audit 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 Families Forward Learning Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Families Forward Learning 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 not identify deficiencies in internal control that we consider to be significant deficiencies.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Families Forward Learning Center's 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Families Forward Learning Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fechter & Company,
Certified Public Accountants

A handwritten signature in dark ink, appearing to read "Fechter & Company, CPAs", written in a cursive, flowing style.

Sacramento, California
February 15, 2021

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

**General Information
June 30, 2020**

Name: Mother's Club Family Learning Center
dba Families Forward Learning Center

Project Number: Child Development Services
(CSPP 9227)
Child Care Food Program
05060-CACFP-19-IC

Type of Center: A Private Nonprofit Organization

Address: 980 N. Fair Oaks Avenue, Pasadena, California, 91103

Executive Director: Elva Sandoval

Telephone Number: (626) 792-2687

Audit Period: July 1, 2019 through June 30, 2020

Days of Operation (CSPP): 184 days
Days of Operation (Early Head Start): 224 days

Center Hours: 8:00 A.M. to 5:00 P.M.

Number of Hours Open: 9 hours

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

**Schedule of Findings and Questioned Costs
For the Year Ended
June 30, 2020**

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? | No |
| 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? | No |

Section II - Financial Statement of Findings

None reported.

Section III - Federal Awarded Findings and Questioned Costs

None reported.

**MOTHER’S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER**

**Status of Prior Year Findings
For the Year Ended
June 30, 2020**

Section IV – Status of Corrective Action on Prior Year Findings

2019-01: Failure to Reconcile CDNFS 8501 Reports to Accounting Records (Deficiency)

Program Information: CDE State Preschool Contract CSPP-8225

Condition: The Agency claimed \$332,530 in allowable reimbursable expenses based on the CDNFS 8501 submitted to the CDE for the year ended June 30, 2019. The CDNFS 8501 reports were based on expenses summarized by management. However, the total expenses reported for the CSPP contract within QuickBooks were \$396,126. When asked for the schedules to support the \$332,530 originally reported in the CDNFS 8501 submitted to the CDE, that information was not available.

Criteria: The Funding Terms & Conditions, section VI. E. General Record Keeping Requirements, state “Claims for reimbursement shall not be paid unless there are documents to support the claims. The contractor has the burden of supporting claims for reimbursement.” An example of documents supporting claims for reimbursement are the attendance and fiscal reports agreeing with the final accounting records that support the financial statements.

Cause: The Agency does not have internal controls in place requiring them to prepare CDNFS reports based on the accounting records used to support the financial statements used in the audit.

Questionable costs: None reported

Effect and context: CDE calculates apportionments earned based on the net reimbursable expenses reported in the CDNFS reports submitted to CDE either monthly or quarterly. By not reconciling the schedules used to prepare the CDNFS 8501 to the accounting records used to prepare the Agency’s financial statements, the actual amount of reimbursable expenses, supplemental expenses, and apportionment earned is inaccurately reported.

Recommendation: We recommend that the Agency’s management establish procedures requiring all Attendance and Fiscal Reports submitted to CDE be reconciled to the Agency’s accounting records used to support the financial statements.

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

**Status of Prior Year Findings
For the Year Ended
June 30, 2020**

Section IV – Status of Corrective Action on Prior Year Findings (continued)

2019-01: Failure to Reconcile CDNFS 8501 Reports to Accounting Records (Deficiency) – (continued)

Management's Response and Corrective Action Plan: Per the Corrective Action Plan submitted by Mothers' Club to the CDE on June 28, 2019, procedures to ensure appropriate source documentation to support claims of reimbursement were created on April 30, 2019, including a cost allocation method that has been incorporated into our accounting software system, QuickBooks. CSPP fiscal reporting processes and procedures have been created to include the roles of the Office Manager and Executive Director in completing the fiscal reporting sections of the CDNFS 8501. Step-by-step instructions have been created on how CDNFS reports should be completed, including the necessary reports to be referenced -- monthly profit and loss detail, monthly attendance and enrollment information, and the child and adult care food program monthly claim detail report.

Status: Partially Implemented

2019-02: Develop a Year-end Closing Schedule (Deficiency)

Program Information: CDE State Preschool Contract CSPP-8225

Condition: The trial balance and related general ledger we used to audit the Agency had not been closed as of June 30, 2019. We determined that some important procedures such as updating accrued expenses, reconciling credit card and investment account balances, and recording depreciation expense, were not recorded in the trial balance we used to plan and perform the audit. The Agency relied on the auditor to perform these functions to complete the June 30, 2019, audited financial statements.

Criteria: Internal controls should be in place that provide reasonable assurance that the trial balance(s) used in the financial statement preparation process be closed on a monthly basis; or at least, by the end of the fiscal year.

Effect and context: By not closing the Agency's accounting records in a timely manner, there were delays in producing closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors. In addition, the delayed closing process resulted in the Agency not submitting their financial statements and related CDE required supplemental schedules in a timely manner.

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

**Status of Prior Year Findings
For the Year Ended
June 30, 2020**

Section IV – Status of Corrective Action on Prior Year Findings (continued)

2019-02: Develop a Year-end Closing Schedule (Deficiency) (continued)

Recommendation: We recommend that management implement internal controls that include year-end closing processes. The controls should indicate who will perform each procedure, when completion of each procedure is due, and then completed. The timing of specific procedures could be coordinated with the timing of management's, or the auditor's, need for the information. The due dates should be monitored to determine that they are being met.

Management's Response and Corrective Action Plan: Per the Corrective Action Plan submitted by Mothers' Club to the CDE on June 28, 2019, procedures to ensure appropriate source documentation to support claims of reimbursement were created on April 30, 2019, including a cost allocation method that has been incorporated into our accounting software system, QuickBooks. CSPP fiscal reporting processes and procedures have been created to include the roles of the Office Manager and Executive Director in completing the fiscal reporting sections of the CDNFS 8501. Step-by-step instructions have been created on how CDNFS reports should be completed, including the necessary reports to be referenced -- monthly profit and loss detail, monthly attendance and enrollment information, and the child and adult care food program monthly claim detail report.

Views of Responsible Officials and Planned Corrective Actions: Per Families Forward Learning Center's Financial Policies and Procedures, organizational controls are in place for the monthly accounting of financial position, activities, cash flows, trial balance, and the reconciliation of credit card and investment account balances. Changes in executive management and staff during this fiscal year created a situation where annual processes were not well handed off to the new team. As a result of this year's audit, we are clear on the needed year-end processes and documentation. In addition, the Board Finance Committee is updating the internal controls within the financial policies and procedures for the organization; including year-end closing processes.

Status: Implemented

2019-03: Calculating Depreciation Monthly (Deficiency)

Program Information: CDE State Preschool Contract CSPP-8225

Condition: The Agency's capitalization threshold for depreciating assets over their useful life is \$500. The Agency purchased \$58,756 in assets that should have been capitalized as of June 30, 2019. The Agency relied on the auditor to calculate the depreciation expense for financial reporting.

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

**Status of Prior Year Findings
For the Year Ended
June 30, 2020**

Section IV – Status of Corrective Action on Prior Year Findings (continued)

2019-03: Calculating Depreciation Monthly (Deficiency) – (continued)

Criteria: Internal controls should be in place that provide reasonable assurance that property and equipment depreciation charges and accumulated depreciation are calculated correctly and are reviewed for reasonableness by management.

Cause: The Agency does not have internal controls in place requiring depreciation expense be calculated on a monthly basis.

Effect and context: By not calculating depreciation expense for an asset recorded at \$58,756, depreciation expense and related accumulated depreciation, in the unaudited financial statements could be materially misstated.

Recommendation: We recommend that the Agency implement either manual depreciation in Excel or invest in a depreciation software package. Either system will assist in keeping the depreciation accurate and up-to-date because both systems will calculate the depreciation expense and track accumulated depreciation for financial statement reporting purposes. The system should also include, but not limited to, the following items:

- Description of the asset acquired or disposed of.
- Serial number.
- Date of transaction.
- Dollar amount paid or received, with respective check number or invoice/receipt.
- Any assets traded.
- Name of the vendor or purchaser.

By using either system, the Agency can also update records monthly to account for any new additions or disposals, and can calculate any gains or losses on disposals.

Views of Responsible Officials and Planned Corrective Actions: Per Families Forward Learning Center's Financial Policies and Procedures, there are procedures for the capitalization of property and equipment and recording of its depreciation. Changes in executive management and staff during this fiscal year created a situation where fixed asset management and depreciation were not well handed off to the new team. As a result of this year's audit, we are clear on the needed year-end processes and management of fixed assets and depreciation. In addition, the Board Finance Committee is updating the internal controls within the financial policies and procedures for the organization; including fixed assets and reporting of depreciation.

Status: Implemented