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

JUNE 30, 2022
With Summarized Information for June 30, 2021

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
FINANCIAL STATEMENTS
JUNE 30, 2022
With Summarized Information for June 30, 2021

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FECHTER
& COMPANY
Certified Public Accountants

Craig R. Fechter, CPA, MST
(1976 – 2022)

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying statements of financial position of Mother's Club Family Learning Center dba Families Forward Learning Center as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Mother's Club Family Learning Center dba Families Forward Learning Center, as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. 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 Mother's Club Family Learning Center dba Families Forward Learning Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Mother's Club Family Learning Center dba Families Forward Learning Center's ability to continue as a going concern for within one year after the date that the financial statements are available to be issued.

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

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 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 Mother's Club Family Learning Center dba Families Forward Learning 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 Mother's Club Family Learning Center dba Families Forward Learning 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.

Report on Summarized Comparative Information

The financial statements of Mother's Club Family Learning Center dba Families Forward Learning Center as of June 30, 2022 and 2021. In our opinion, the summarized comparative information presented herein as of and for the years ended June 30, 2022 and 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *CDE Audit Guide* issued by the California Department of Education, is presented for the purposes of additional analysis and is 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 January 4, 2023, on our consideration of Mother's Club Family Learning Center dba Families Forward Learning Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mother's Club Family Learning Center dba Families Forward Learning Center's internal control over financial reporting and compliance

Fechter & Company
Certified Public Accountants

Fechter + Company

Sacramento, California
January 4, 2023

FINANCIAL STATEMENTS

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statements of Financial Position
June 30, 2022
With Summarized Financial Information as of June 30, 2021

ASSETS	2022	2021
TOTAL CURRENT ASSETS		
Cash and cash equivalents	$ 41,490	$ 335,341
Investments at fair value	901,960	1,300,233
Grants and accounts receivable	384,832	189,996
Prepaid expenses	20,590	19,616
TOTAL CURRENT ASSETS	1,348,872	1,845,186
Property and equipment, net (Note 8)	4,637,956	4,724,446
TOTAL ASSETS	$ 5,986,828	$ 6,569,632
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other accruals	$ 34,127	$ 47,332
Deferred revenue	-	30,870
Accrued vacation	30,269	36,076
TOTAL CURRENT LIABILITIES	64,396	114,278
NET ASSETS		
Without donor restrictions	5,189,412	5,948,886
With donor restrictions (Note 14)	733,020	506,468
TOTAL NET ASSETS	5,922,432	6,455,354
TOTAL LIABILITIES AND NET ASSETS	$ 5,986,828	$ 6,569,632

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statements of Activities
June 30, 2022
With Summarized Financial Information as of June 30, 2021

SUPPORT AND REVENUES	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Summarized
Support:				
Government contracts	$ -	$ 1,160,033	$ 1,160,033	$ 786,660
Contributions	669,133	-	669,133	870,114
Donated services	26,000	-	26,000	25,000
Special events	133,971	-	133,971	56,921
Total Support	829,104	1,160,033	1,989,137	1,738,695
Revenues:				
Other income	1,715	-	1,715	-
Investment income	12,922	-	12,922	31,737
Net unrealized/realized gain on investments	(383,424)	-	(383,424)	347,734
Total Revenues	(368,788)	-	(368,788)	379,471
Net assets released from restrictions	933,481	(933,481)	-	979,765
Total Support, Revenues, and Reclassifications	1,393,798	226,552	1,620,350	2,118,166
EXPENSES				
Program services	1,531,960	-	1,531,960	1,531,926
Supporting services:				
General and administration	411,999	-	411,999	181,842
Fundraising	224,938	-	224,938	168,368
Total Expenses	2,168,897	-	2,168,897	1,882,136
Unusual item:				
Gain on forgiven Paycheck Protection Program loan	-	-	-	298,320
Change in Net Assets	(775,100)	226,552	(548,548)	534,350
Net Assets at Beginning of Period	5,948,886	506,468	6,455,354	5,921,004
Prior period adjustment (Note 13)	15,626		15,626	-
Net Assets at Beginning of Period, restated	5,964,512	506,468	6,470,980	5,921,004
Net Assets at End of Period	$ 5,189,412	$ 733,020	$ 5,922,432	$6,455,354

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statements of Cash Flows
June 30, 2022
With Summarized Financial Information as of June 30, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (548,548)	$ 534,350
Adjustments to reconcile change in net assets to net cash provided/used by operating activities:		
Depreciation	152,122	143,864
Gain on sale of equipment	-	(6,016)
Net realized/unrealized (gain) on investments	383,424	(341,718)
Gain on forgiven Paycheck Protection Program loan	-	(298,270)
Change in:		
Grants and accounts receivable	(194,836)	(29,854)
Prepaid expenses and deposits	(974)	(7,557)
Accounts payable and accrued vacation	(19,014)	19,347
Deferred revenue	(30,870)	30,870
Net Cash Provided/(Used) by Operating Activities	(258,696)	45,016
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(65,630)	(22,447)
Proceeds from sale of investments	735,993	1,483,024
Purchase of investments	(705,518)	(1,448,562)
Net Cash Provided by Investing Activities	(35,155)	12,015
Increase(decrease) in cash during the year	(293,851)	57,031
Cash, beginning of year	335,341	278,310
Cash, end of year	$ 41,490	$ 335,341

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statement of Functional Expenses
June 30, 2022

	Program Services	General & Administrative	Fundraising	Total Expenses
Salaries and wages	$ 886,700	$ 191,303	$ 113,320	$ 1,191,323
Payroll taxes	83,468	4,201	9,436	97,105
Employee benefits	95,822	8,270	12,449	116,541
TOTAL SALARIES & RELATED EXPENSES	1,065,990	203,774	135,205	1,404,969
Accounting and professional services	78,159	100,638	3,519	182,316
Children's program	22,142	237	-	22,379
Depreciation	119,141	24,440	8,541	152,122
Insurance	31,684	7,714	-	39,398
Nutrition	59,591	6	-	59,597
Office supplies	5,212	15,791	760	21,763
Parent supplies	12,903	288	67	13,258
Property tax	1,370	1,369	-	2,739
Public relations	-	-	17,291	17,291
Repairs and maintenance	80,029	12,287	410	92,726
Special event	-	-	58,669	58,669
Staff development	4,287	13,239	476	18,002
Telephone	21,267	4,646	-	25,913
Workers compensation insurance	-	12,444	-	12,444
COVID-19 relief	14,370	1,007	-	15,377
Utilities	15,815	14,119	-	29,934
TOTAL EXPENSES	$ 1,531,960	$ 411,999	$ 224,938	$ 2,168,897

See the accompanying notes to financial statements.

MOTHER'S CLUB FAMILY LEARNING CENTER
dba FAMILIES FORWARD LEARNING CENTER
Statement of Functional Expenses
June 30, 2021

	Program Services	General & Administrative	Fundraising	Total Expenses
Salaries and wages	$ 890,549	$ 50,270	$ 84,605	$ 1,025,424
Payroll taxes	76,666	7,962	11,704	96,332
Employee benefits	95,791	4,320	6,419	106,530
TOTAL SALARIES & RELATED EXPENSES	1,063,006	62,552	102,728	1,228,286
Accounting and professional services	30,755	47,450	24,492	102,697
Children's program	119,233	132	-	119,365
Depreciation	112,670	23,112	8,082	143,864
Insurance	33,276	6,098	-	39,374
Nutrition	45,706	-	-	45,706
Office supplies	8,699	8,975	1,504	19,178
Parent supplies	8,847	-	-	8,847
Property tax	2,240	746	-	2,986
Public relations	-	966	18,939	19,905
Repairs and maintenance	22,694	9,609	197	32,500
Special event	17	-	9,602	9,619
Staff development	6,971	4,038	139	11,147
Telephone	11,405	5,994	27	17,426
Workers compensation insurance	1,945	7,218	299	9,462
COVID-19 relief	40,439	194	-	40,633
Utilities	24,023	4,758	2,360	31,141
TOTAL EXPENSES	$ 1,531,926	$ 181,842	$ 168,368	$ 1,882,136

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, 2022
With Summarized Information for June 30, 2021

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 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.

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.

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 Paycheck 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 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – continued

Contributions and Grant Revenue Recognition – continued

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, 2022.

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.

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – continued

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 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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. 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Risks and Uncertainties

The Center has concentrations in the following areas:

- Support and Revenue: Two funding streams, government contracts and foundation grants, constitute 91% and 95% of total support and revenue for the years ended June 30, 2022 and 2021, respectively.

- Grants Receivable: Four contributors constitute 95% and 95% of total grants receivable at June 30, 2022, and 2021, respectively. 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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – continued

Income Tax Status – continued

The Center's form 990, *Return of Center Exempt from Income Tax*, for the years ended June 30, 2017, 2018, 2019, and 2020, 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, 2022 and 2021.

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 requiring recognition were $26,000 for the year ended June 30, 2022, and $25,000 for the year ended June 30, 2021. The expenses are reported as program expenses and are included in within the statement of functional expenses as salaries and wages.

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES – continued

Cost Allocation Plan – continued

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

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 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 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.

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

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

Financial assets at year-end:	2022	2021
Cash and cash equivalents	$ 41,490	$ 335,341
Investments at fair value	901,960	1,300,233
Grants and accounts receivable	384,832	189,996
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(733,020)	(506,468)
Financial assets available to meet general expenditures over the next twelve months	$ 595,262	$ 1,319,102

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

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 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.

NOTE 4: 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, 2022, the Center was below the FDIC limit and had no uninsured balances. The Center was above the FDIC limit and had uninsured balances of $24,298 at June 30, 2021.

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, 2022 and 2021, the Center's cash accounts at the brokerage firm were above the insured coverage limit in the amount of $651,960 and $1,050,232 and, respectively.

The Center experienced a shortage in teaching and educational support staffing so the Center relied on a temporary staffing agency to cover the shortfall. During the year June 30, 2022, $54,066 of the accounting and professional service costs were derived from this source.

NOTE 5: INVESTMENTS

The Center's investments at June 30, 2022, are comprised of the following:

	Fair Value	Cost	Appreciation (Depreciation)
Cash/money market	$ 58,263	$ 58,263	$ -
Fixed income funds	88,075	98,880	(10,805)
Equities	749,209	1,008,519	(259,310)
Mutual funds	5,629	6,830	(1,201)
Estimated accrued interest	784	-	-
Total investments	$ 901,960	$ 1,172,492	$ (271,316)

NOTE 5: INVESTMENTS – continued

The Center's investments at June 30, 2021, are comprised of the following:

	Fair Value	Cost	Appreciation (Depreciation)
Fixed income funds	$ 126,330	$ 127,719	$ (1,389)
Equities	1,173,903	1,090,584	83,319
Total investments	$ 1,300,233	$ 1,218,303	$ 81,930

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

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

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level 1 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.

NOTE 5: INVESTMENTS – continued

The following table summarizes the valuation of the Center's financial assets and liabilities on a recurring basis by the above categories as of June 30, 2022:

Assets	Total	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash/money market	$ 58,263	$ 58,263	$ -	$ -
Fixed income funds	88,075	88,075	-	-
Equities	749,209	749,209	-	-
Mutual funds	5,629	5,629	-	-
Estimated accrued interest	784	-	784	-
Total investments at fair value	$ 901,960	$ 901,176	$ 784	$ -

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, 2021:

Assets	Total	Quoted market prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fixed income funds	$ 126,330	$ 126,330	$ -	$ -
Equities	1,173,903	1,173,903	-	-
Total investments at fair value	$ 1,330,233	$ 1,330,233	$ -	$ -

NOTE 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.

NOTE 6: ENDOWMENT INVESTMENTS – continued

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, 2022 and 2021, respectively.

At June 30, 2022 and 2021, 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.

NOTE 6: ENDOWMENT INVESTMENTS – continued

Changes in the endowment net assets for the fiscal year ended June 30, 2022 and 2021:

	Endowment Restricted	Permanently Restricted	Total
Endowment net assets at June 30, 2020	$ 119,105	$ 123,500	$ 242,605
Investment activity	-	-	-
Endowment net assets at June 30, 2021	$ 119,105	$ 123,500	$ 242,605
Investment activity	-	-	-
Endowment net assets at June 30, 2022	$ 119,105	$ 123,500	$ 242,605

NOTE 7: GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable at June 30, 2022 and 2021, comprise of the following:

	2022	2021
California Child Care Food Program	$ 4,222	$ 8,832
Early Head Start	31,564	31,564
California Department of Social Services	233,046	-
Other grants	16,000	10,000
Contributions and donations	100,000	139,600
Total grants and accounts receivable	$ 384,832	$ 189,996

NOTE 8: PROPERTY AND EQUIPMENT

The following is a summary of property, plant, and equipment at June 30, 2022 and 2021:

	2022	2021
Fair Oaks land	$ 1,825,000	$ 1,825,000
Fair Oaks building	4,345,344	4,345,344
Furniture and fixtures	241,624	230,852
Photovoltaic system	170,975	170,975
Building improvements	143,831	96,078
Intangible software	94,774	94,774
Computer equipment	95,967	95,967
Playground equipment	12,935	5,830
Total property and equipment	6,930,450	6,864,820
Less: Accumulated depreciation and amortization	(2,292,494)	(2,140,374)
Property and equipment, net	$ 4,637,956	$ 4,724,446

Depreciation expense for the years ended June 30, 2022 and 2021, was $152,122 and $143,864, respectively.

NOTE 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 balances at June 30, 2022 and 2021, are $16,926 and $9,067, respectively, and are included in accounts payable and other accruals on the statements of financial position.

NOTE 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.

NOTE 11: PAYCHECK 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.

In 2021, the Center used the remaining loan proceeds on payroll and other costs related to the CSPP 0227 contract at June 30, 2021. The loan was fully forgiven in 2021.

NOTE 12: GOVERNMENT ASSISTANCE AND STIPENDS

Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Stipends
The California Department of Education awarded the Center a flat-rate-one time stipend of $525 per child based on November 2020 Child Development Management Information System (CDMIS) data. These stipends were to provide continued relief in response to the COVID-19 pandemic. The Center received stipends totaling $30,870 for the fiscal year ended June 30, 2022. None of the stipends were applied to the CSPP contract.

Infrastructure Grant Program
California Department of Education awarded the Center an Infrastructure Grant for $233,046. The funds will be used for play structure replacement parts and related labor, as well as energy efficient lighting. Funds may be used to reimburse costs incurred for landscaping, awnings, and roof repair completed after August 1, 2021. The Center had not used these funds as of June 30, 2022.

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 April 2021. The Center received $34,200 for the fiscal year ended June 30, 2022, which was applied to the CSPP contract.

Facility Stabilization Stipends
California Department of Education awarded a one-time "licensed stipend" in response to the COVID-19 pandemic. The amount of the stipend is based on the maximum facility capacity allowable for children per license. The Center received stipends totaling $10,500 for the fiscal year ended June 30, 2022. None of the stipends were applied to the CSPP contract.

NOTE 13: PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of 2022 have been adjusted for contract earnings from the 2019 fiscal year. The contract earnings received during 2022 was $15,626. The correction has no effect on the consolidated results of the current year's operating results; however, the cumulative effect increases beginning net assets for 2022 by $15,626.

NOTE 14: DONOR RESTRICTED NET ASSETS

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

	2022	2021
Parent Program	$ 46,126	$ 13,000
Children's Program	100,000	70,700
Infrastructure Grant Program	233,064	-
Endowment unappropriated	119,105	119,105
Capital Improvements	-	44,938
Capital maintenance reserve	76,000	100,000
Endowment permanently restricted	123,500	123,500
Kujawa staff development	35,225	35,225
Total donor restricted net assets	$ 733,020	$ 506,468

NOTE 15: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2022 and 2021, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	2022	2021
Early Childhood Education Program	$ 746,469	$ 884,400
Capital Improvement	64,938	51,015
Capital Maintenance Reserve	24,000	-
COVID-19 Support	-	42,447
Parent Program	98,074	1,903
Total net assets released from restrictions	$ 933,481	$ 979,765

NOTE 16: 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.

Loss of governmental support would have a significant impact on the Center's ability to provide its program services.

NOTE 17: SPECIAL EVENTS

The Center conducted fundraising events for the years ended June 30, 2022 and 2021. Total support received from the fundraising event for the year ended June 30, 2022, was \$133,971, with costs incurred of \$58,669. The net proceeds from these events went towards program operations. Total support received from the fundraising event for the year ended June 30, 2021, was \$56,921, with costs incurred of \$9,618.

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: 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, 2022. 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, 2022.

NOTE 19: CHILD CARE AND DEVELOPMENT PROGRAM SUPPLEMENTAL INFORMATION – continued

- 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, 2022.

NOTE 20: COVID-19 IMPACT

Starting in March 2020 and through June 30, 2022, the Center has continued to keep its connections with its children and families. The teachers communicate with the parents and children daily, either in-person or over the Learning Genie application. The Center's parent education and support groups have been moved online and parents continue to be actively engaged.

The Center's staff are in weekly contact with each of its families to determine their needs and concerns. The Center provides crisis intervention and stress management guidance in person and by phone. The Center has been fortunate in the funding area, with their generous community of supporters who provided additional donations to cover the costs incurred because of COVID-19 restrictions and guidelines.

The Center's families were impacted by unemployment. This stress continues, including rent and food insecurity. The Center continues to support their families with weekly food distribution and by providing government resource information. The Center reopened to a limited number of children in October of 2020 with 100% of staff fully vaccinated.

A continued concern and challenge are the spread of COVID-19. The Center has put in place protocols to mitigate the spread and strongly encourages all adult family members to be fully vaccinated for the health and safety of their children.

NOTE 21: SUBSEQUENT EVENTS

For the year ended June 30, 2022, the Center's management has evaluated subsequent events for potential recognition and disclosure through January 4, 2023, the date the financial statements were available. There were no items requiring disclosure or adjustment to the financial statements.