California Alliance

Empowering lives. Enriching futures.

Consolidated Financial Statements

December 31, 2022

California Alliance of Child and Family Services

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December 31, 2022

GILMORE & ASSOCIATES, LLP

Independent Auditors' Report

To the Board of Directors
California Alliance of Child and Family Services

Opinion

We have audited the accompanying consolidated financial statements of California Alliance of Child and Family Services (a non-profit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of California Alliance of Child and Family Services as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 California Alliance of Child and Family Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Alliance of Child and Family Services ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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

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collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 California Alliance of Child and Family Services' 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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Alliance of Child and Family Services' internal control 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2023, on our consideration of California Alliance of Child and Family Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of California Alliance of Child and Family Services' 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 California Alliance of Child and Family Services' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited California Alliance of Child and Family Services' 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gilmore & Associates LLP

San Mateo, California
June 12, 2023

California Alliance of Child and Family Services

Consolidated Statement of Financial Position

December 31, 2022
(With Comparative Totals at December 31, 2021)

	2022	2021
Assets		
Current assets		
Cash	$ 563,480	$ 383,636
Accounts receivable, net	598,851	345,236
Contribution receivable	200,000	-
Investments	1,080,965	1,323,325
Deferred contract costs	6,429	222,387
Prepaid expenses	84,863	136,412
	2,534,588	2,410,996
Property and equipment, net	36,354	27,646
Other assets		
Operating lease right-of-use asset	99,904	-
	$ 2,670,846	$ 2,438,642
Current liabilities		
Accounts payable	$ 108,600	$ 70,184
Accrued vacation	82,573	67,572
Other accrued expenses	7,336	5,498
Deferred revenue	25,145	338,516
Operating lease liability	48,206	-
	271,860	481,770
Long-term liabilities		
Operating lease liability	51,668	-
Net assets		
Without donor restrictions	1,830,516	1,756,872
With donor restrictions	516,802	200,000
	2,347,318	1,956,872
	$ 2,670,846	$ 2,438,642

See accompanying notes.

California Alliance of Child and Family Services

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022			
	Without Restrictions	With Restrictions	Total	2021
Revenue and support				
Membership dues	$ 1,787,130	$ -	$ 1,787,130	$ 1,729,031
Training and conferences	290,702	-	290,702	2,625
Contributions				
Contract services revenue	1,552,962	-	1,552,962	820,997
Contributions and grants	220,791	590,000	810,791	383,261
Investment return (loss), net	(242,249)	-	(242,249)	175,037
Other revenue	3,234	-	3,234	31,780
Net assets released from restrictions	273,198	(273,198)	-	-
	3,885,768	316,802	4,202,570	3,142,731
Expenses				
Program services	2,925,425	-	2,925,425	2,081,109
Management and general	864,400	-	864,400	582,448
Fundraising expenses	22,299	-	22,299	29,999
	3,812,124	-	3,812,124	2,693,556
Changes in net assets	73,644	316,802	390,446	449,175
Net assets, beginning of year	1,756,872	200,000	1,956,872	1,507,697
Net assets, end of year	$ 1,830,516	$ 516,802	$ 2,347,318	$ 1,956,872

See accompanying notes.

California Alliance of Child and Family Services

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services							
	Advocacy	Training	Member Services	Catalyst Center Services	Total	Management and General	Fundraising	Total Expenses
Payroll								
Salaries and wages	$ 469,251	$ 36,628	$ 142,195	$ 873,088	$ 1,521,162	$ 400,418	$ 11,970	$ 1,933,550
Employee benefits	62,141	3,915	18,543	74,425	159,024	51,209	1,180	211,413
Payroll taxes	35,969	2,731	10,876	63,535	113,111	30,543	885	144,539
Total payroll costs	567,361	43,274	171,614	1,011,048	1,793,297	482,170	14,035	2,289,502
Operations								
Member conferences	135,984	5,073	39,503	9,147	189,707	105,281	1,069	296,057
Professional services	117,214	13,973	37,002	430,347	598,536	109,382	5,079	712,997
Training programs	1,497	735	643	29,986	32,861	2,478	306	35,645
Operating lease costs	22,254	830	6,465	1,497	31,046	17,230	175	48,451
Staff travel	29,971	1,118	8,706	2,016	41,811	23,204	236	65,251
Equipment rental and maintenance	19,108	713	5,551	1,285	26,657	14,793	150	41,600
Committees	6,590	246	1,914	443	9,193	5,102	52	14,347
Board of Directors	2,482	93	721	167	3,463	1,923	20	5,406
Telecommunications	8,977	362	2,616	1,807	13,762	7,004	82	20,848
Dues and subscriptions	50,797	1,974	14,781	6,900	74,452	39,482	433	114,367
Public relations	20,815	777	6,047	1,400	29,039	16,116	164	45,319
Merchant fees	2,428	96	707	430	3,661	1,891	22	5,574
Business insurance	6,974	260	2,026	469	9,729	5,400	55	15,184
Office supplies	18,498	690	5,373	1,244	25,805	14,319	145	40,269
Depreciation	5,662	211	1,645	381	7,899	4,384	45	12,328
Postage and shipping	1,452	54	422	98	2,026	1,124	11	3,161
Bad debt expense	5,874	219	1,706	395	8,194	4,548	46	12,788
Miscellaneous	10,537	605	3,126	10,019	24,287	8,569	174	33,030
Total operations	467,114	28,029	138,954	498,031	1,132,128	382,230	8,264	1,522,622
Total expenses	$ 1,034,475	$ 71,303	$ 310,568	$ 1,509,079	$ 2,925,425	$ 864,400	$ 22,299	$ 3,812,124

See accompanying notes.

California Alliance of Child and Family Services

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services							
	Advocacy	Training	Member Services	Catalyst Center Services	Total	Management and General	Fundraising	Total Expenses
Payroll								
Salaries and wages	$ 312,226	$ 19,533	$ 380,886	$ 422,642	$ 1,135,287	$ 322,076	$ 15,767	$ 1,473,130
Employee benefits	72,038	4,507	87,880	47,668	212,093	68,623	1,777	282,493
Payroll taxes	22,853	1,430	27,878	32,333	84,494	23,733	1,206	109,433
Total payroll costs	407,117	25,470	496,644	502,643	1,431,874	414,432	18,750	1,865,056
Operations								
Member conferences	1,287	80	1,569	-	2,936	1,129	-	4,065
Professional services	48,463	3,032	59,121	293,028	403,644	75,943	10,932	490,519
Training programs	435	27	530	4,733	5,725	921	177	6,823
Occupancy	18,813	1,177	22,950	-	42,940	16,500	-	59,440
Staff travel	2,896	181	3,532	-	6,609	2,540	-	9,149
Equipment rental and maintenance	5,252	329	6,407	-	11,988	4,605	-	16,593
Committees	-	-	-	-	-	-	-	-
Board of Directors	313	20	382	-	715	274	-	989
Telecommunications	7,403	463	9,031	1,105	18,002	6,620	41	24,663
Dues and subscriptions	38,160	2,387	46,552	2,171	89,270	33,718	81	123,069
Public relations	8,765	548	10,693	-	20,006	7,688	-	27,694
Merchant fees	5,258	329	6,414	365	12,366	4,653	13	17,032
Business insurance	3,608	226	4,402	-	8,236	3,164	-	11,400
Office supplies	3,398	213	4,146	-	7,757	2,980	-	10,737
Depreciation	2,839	178	3,463	-	6,480	2,490	-	8,970
Postage and shipping	363	23	442	-	828	318	-	1,146
Bad debt expense	2,104	132	2,567	-	4,803	1,846	-	6,649
Miscellaneous	2,977	186	3,631	136	6,930	2,627	5	9,562
Total operations	152,334	9,531	185,832	301,538	649,235	168,016	11,249	828,500
Total expenses	$ 559,451	$ 35,001	$ 682,476	$ 804,181	$ 2,081,109	$ 582,448	$ 29,999	$ 2,693,556

See accompanying notes.

California Alliance of Child and Family Services

Consolidated Statement of Cash Flows

Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 390,446	$ 449,175
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,328	8,970
Loss (gain) (realized and unrealized) on investments	270,821	(155,364)
Loss on disposal of equipment	12,115	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(253,615)	(189,957)
Contribution receivable	(200,000)	-
Deferred contract costs	215,958	(222,387)
Prepaid expenses	51,549	(118,190)
Operating lease assets	46,944	-
Increase (decrease) in:		
Accounts payable	38,416	62,704
Accrued vacation	15,001	(249)
Accrued other	1,838	(7,301)
Operating lease liabilities	(46,974)	-
Deferred revenue	(313,371)	175,549
Net cash provided by operating activities	241,456	2,950
Cash flows from investing activities		
Purchase of property and equipment	(33,151)	(11,301)
Purchase of investments, including short term liquid investments	157,232	(514,550)
Proceeds from sale of investments	(185,693)	595,065
Net cash provided (used) by investing activities	(61,612)	69,214
Net increase in cash	179,844	72,164
Cash, beginning of year	383,636	311,472
Cash, end of year	$ 563,480	$ 383,636
Non-cash transactions:		
Lease accounting implementation adjustment (see Note 1)	146,848	-

See accompanying notes.

California Alliance of Child and Family Services

Notes to Consolidated Financial Statements

December 31, 2022

Note 1 – Organization and Summary of Significant Accounting Policies

The Organization – California Alliance of Child and Family Services ("the Alliance") is a nonprofit mutual benefit corporation representing child and family service organizations throughout California. The Alliance's primary program activities are member advocacy, executive support, conferences, and other opportunities for training and professional development in accordance with regulatory and organizational standards. The Alliance's member agencies provide a full array of services to children, youth and families often served through public systems. Among the services they provide are prevention, home and community-based care, adoption, resource families, behavioral health, residential and education services.

Children's Services Foundation ("the Catalyst Center") is a nonprofit public benefit corporation organized and operated exclusively for charitable purposes in California. The Catalyst Center's primary purpose is to provide education and training, research, sharing of resources and research findings, provide technical assistance, and promulgate standards and establish guidelines for best practice, all with the primary goal of improved services to children and families.

Full Circle Health Network ("Full Circle") is a single member LLC formed to create a new integrated network of community-based organizations across California that aims to forge partnerships with managed care plans and provide whole-person and whole-family services. It is a network of nonprofit, nationally accredited providers that delivers integrated and coordinated community-based services to vulnerable children, individuals, and families across California.

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Alliance, Catalyst Center, and Full Circle. The Alliance and the Catalyst Center are under the common control of the Alliance's Board of Directors. Full Circle is a subsidiary LLC of the Catalyst Center. All significant intercompany accounts have been eliminated in consolidation.

Basis of accounting – The consolidated financial statements are prepared on the accrual basis of accounting.

Basis of presentation – The Alliance classifies its net assets for accounting and reporting purposes into two classes, according to externally imposed restrictions:

> Net assets without restrictions **-** Net assets that are not subject to donor-imposed stipulations, which represent the expendable resources that are available for operations at management's discretion.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Net assets with restrictions - Net assets subject to donor-imposed stipulations. These include both restrictions that can be fulfilled by actions of the Alliance pursuant to those stipulations or that expire by the passage of time, and donor-imposed stipulations that are to be maintained permanently by the Alliance. Generally, the donors of assets with permanent restrictions permit the Alliance to use all or part of the income earned on the assets.

<u>Accounts receivable</u> - The Alliance uses the allowance method in order to reserve for potential uncollectible accounts receivable. Allowance for doubtful accounts at December 31, 2022 was $11,502.

<u>Contribution receivable</u> - Unconditional contributions that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions to be collected in future years are recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

<u>Investments</u> - The Alliance values its investments at fair value. Gains and losses (including investments bought, sold, and held during the year) are reflected in the consolidated statement of activities as gain (loss) on investments. Short term highly liquid bank deposits held in investment accounts and not used for operations are treated as investments.

<u>Fair value measurements</u> - Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – unadjusted quoted prices on active markets for identical assets
Level 2 inputs – observable inputs other than quoted prices for identical assets
Level 3 inputs – estimates using the best information available when there is little or no market

The Alliance is required to measure certain investments at fair value. The Alliance uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Alliance measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Property and equipment **-** Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment. Additions with a cost of less than $1,000 are expensed.

Revenue recognition

Membership dues - The Alliance satisfies performance obligations and records membership dues revenue ratably over the life of the one-year membership term, as members simultaneously receive and consume the benefits of the membership. The management believes that recognizing performance obligation over time is a best measure of progress toward complete satisfaction of the membership performance obligation. These arrangements give rise to contract liabilities (deferred revenue). Contract liabilities are recognized as revenue as performance obligations are satisfied. For the year ended December 31, 2022 deferred membership dues were $25,145. See Note 7.

Training and conference fees - In addition to membership dues income, the Alliance provides training and conferences for its members. The training and conference fees are recognized as revenue at the point the events are held, when ownership risk and rewards are transferred to the members. Training and conference fees paid in advance give rise to contract liabilities (deferred revenue). For the year ended December 31, 2022 deferred training and conference fees were $0. See Note 7.

Grants and contracts - Grants and contracts that serve the general public are treated as conditional contributions if they include a barrier and a right of return or a right of release of the promisor's obligation. Revenue is recognized when a specific barrier is overcome (when performance goals are met or qualifying expenditures are incurred). Conditional contributions received in advance are accounted for as refundable advances until the conditions have been substantially met.

Contributions – Unconditional contributions are recognized as revenue in the period received. Conditional contributions – that is, those with measurable performance of other barriers and a right of return – are not recognized until the conditions on which they depend have been met. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

The Alliance reports cash contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Alliance has adopted a policy to classify donor restricted contributions as without donor restrictions if the restrictions are met in the reporting period.

<u>Donated services</u> **-** Donated services are recognized as contributions if the services (a) create or enhance financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Alliance.

<u>Income taxes</u> **-** The Alliance and the Foundation are exempt from taxation under Internal Revenue Code Section 501(c)(6) and 501(c)(3), respectively, and California Revenue and Taxation Code Section 23701(d). Full Circle Health Network is a single member LLC exempt from federal and state income taxes.

<u>Cost allocation</u> - The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, indirect costs have been allocated among the programs and supporting services on a basis proportionate to direct staff time or other method which best measures the relative degree of benefit.

<u>Adoption of lease accounting standard</u> – Effective January 1, 2022, the Organization adopted FASB ASU 842, Leases. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a corresponding lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The Organization recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. The adoption resulted in the recognition of a right-of-use asset of $146,848 and an operating lease liability of $146,848 as of January 1, 2022. The adoption did not have a material impact on the Organization’s results of operations or cash flows.

<u>Subsequent events</u> - Management has evaluated subsequent events through June 12, 2023, the date on which the financial statements were available to be issued.

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Use of estimates - The preparation of consolidated financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative totals - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Alliance's consolidated financial statements for the year ended December 31, 2021 from which the summarized information was derived.

Note 2 – Investments

The fair value of securities has been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs). The table below represents the balances of investments measured at fair value as of December 31, 2022:

Equities	$	711,704
Corporate bonds		285,161
Real estate stock		10,371
Bank deposits		73,729
	$	1,080,965

Net investment return for the year ended December 31, 2022, included in the consolidated financial statement of activities is summarized as follows:

Interest and dividends	$	42,790
Net realized and unrealized losses		(270,821)
Investment expenses		(14,218)
	$	(242,249)

All investment return is classified without restriction in the consolidated statement of activities.

California Alliance of Child and Family Services

Notes to Consolidated Financial Statements

December 31, 2022

Note 3 – Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2022, are as follows:

		Quoted Priced in Active Markets for Identical Assets (Level 1)
Investments	$	1,080,965

Note 4 – Deferred Contract Costs

Deferred contracts costs include additional contract costs paid in 2021 but billed in May 2022 under the 2022 contract, as allowed by the terms of the contract. As of December 31, 2022, total deferred contract costs were $6,429.

Note 5 – Property and Equipment

As of December 31, 2022, property and equipment consists of the following:

	Useful Life		
Equipment	3-8	$	80,881
Accumulated depreciation and amortization			(44,527)
		$	36,354

Note 6 – Restrictions on Net Assets

Net assets with donor restrictions consists of the following for the year ended December 31, 2022:

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Casey Family Programs grant	200,000	-	(200,000)	-
Conrad N. Hilton Foundation grant	-	590,000	(73,198)	516,802
Total net assets	$ 200,000	$ 590,000	$ (273,198)	$ 516,802

Note 7 – Revenue Recognition and Deferred Revenue

The timing of revenue recognition for membership dues and conferences and training fees, and related billings and cash collections, results in billed accounts receivable and deferred revenue (contract liabilities) on the Statement of Financial Position.

At December 31, the balance of dues receivable, a component of accounts receivable, is as follows:

	2022	2021
Membership dues receivable, net	$ 85,565	$ 54,718

The table below shows the activity in deferred membership dues and training and conferences fees paid in advance for the year ended December 31, 2022:

	Deferred Membership Dues	Training and Conference Fees	Total Deferred Revenue
Balance as of December 31, 2021	$ 176,211	$ 162,305	$ 338,516
Previously deferred revenue recognized	(176,211)	(162,305)	(338,516)
Cash received	1,636,064	128,397	1,764,461
Current revenue recognized	(1,610,919)	(128,397)	(1,739,316)
Balance as of December 31, 2022	$ 25,145	$ -	$ 25,145

Note 8 – Governing Board Designations

The Alliance's governing board has designated, from net assets without donor restrictions of $1,830,516, net assets for the following purpose as of December 31, 2022:

Full Circle Health Network expenditures	$	250,000

Note 9 – Information Regarding Liquidity and Availability

The Alliance strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The following table reflects the Alliance's financial assets as of December 31, 2022. Amounts not available may include board designated funds, which if the need arises could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Financial assets at year end:		
Cash and cash equivalents	$	563,480
Investments		1,080,965
Accounts receivable		598,851
		2,243,296
Less amounts not available to be used within one year		
Net assets with donor restrictions		(516,802)
Board designated funds (see Note 8)		(250,000)
		(766,802)
Financial assets available to meet cash needs for general expenditures within one year	$	1,476,494

Note 10 – Retirement Plans

The Alliance participates in a defined contribution profit-sharing plan under IRC 401(k). All employees age twenty-one and older who have completed one year of service are eligible to participate in the plan. Participants may contribute up to maximum amount permitted by law. The Alliance contributes employer base contribution equal to 4% of participant's compensation to each participant's account regardless of the participant's voluntary contribution

Note 10 – Retirement Plans (continued)

In addition, the Alliance contributes matching employer contribution equal to 100% of participant's voluntary contribution not to exceed 3% of participant's compensation during the year. Employer contributions under this plan for the year ended December 31, 2022 were $69,844. Participants' accounts are fully vested from the date of participation in the plan.

Note 11 – Concentrations

Credit risk

The Alliance maintains cash balances and money market accounts at various financial institutions, which are FDIC insured up to the limits allowed by law. At times such balances may exceed the insurance limit. The Alliance has not experienced any losses in such accounts, and management believes the Alliance is not exposed to any significant credit risk related to cash.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations that support the Alliance's mission. Investments are managed by an investment manager in a diversified portfolio whose performance is monitored by the Board of Directors. Although the fair value of investments is subject to fluctuations on a year-to-year basis, the Board of Directors believes that the investment policies and guidelines are prudent for the long-term welfare of the Alliance.

Major customers

As of December 31, 2022, contract revenue from one government agency accounted for approximately $836,000 or 20% of total revenue. At December 31, 2022, the accounts receivable due from this agency was approximately $403,000 or 67% of total accounts receivable.

Note 12 – Leases

The Organization leases its office facility under an operating lease agreement expiring in January 2025, with no stated provision for renewal. The lease provides for increases in future minimum annual rental payments.

Note 12 – Leases (continued)

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. When applicable, the Organization includes renewal options in the determination of right-of-use assets and lease liabilities, when the options are reasonably certain to be exercised.

Total right-of-use assets and lease liabilities at December 31, 2022 are shown on the consolidated Statement of Financial Position as follows:

Other assets - Operating lease right-of-use asset	$ 99,904
Current liabilities - Operating lease liability	$ 48,206
Long term liabilities - Operating lease liability	51,668
	$ 99,874

The operating lease costs for the year ended December 31, 2022 were $48,451.

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for 2022:

Weighted-average remaining lease term in years	2.1
Weighed-average discount rate	1.25%

As of December 31, 2022, the future minimum lease payments under the noncancelable operating lease with a term greater than one year are listed below:

Year ending December 31		
2023	$	48,480
2024		48,590
2025		4,050
Total lease payments		101,120
Less: Implied Interest		(1,246)
Present value of lease liability	$	99,874

Note 13 – Contingencies

The Organization's grants and contracts are subject to inspection and audit by the appropriate government funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated, and the Alliance has no provision for the possible disallowance of program costs on its consolidated financial statements.

In early 2022, the Alliance cancelled its Winter 2022 conference due to the spread of COVID-19. Because cancellation was within 90 days of the event, the Alliance incurred a $236,826 cancellation penalty, of which $118,412 was applied to the 2022 conference deposits and $59,207 will be applied to 2024 conference deposits. The remaining balance of $59,207 was paid in June 2022 and has been included in total member conferences expenses on the consolidated Statement of Functional Expenses.

Note 14 – Uncertainty Due to COVID-19

The Alliance adapted its operations so that a majority of its services are provided remotely and is currently transitioning to a hybrid work model that incorporates a mixture of in-office and remote work. Management believes that the adaptive changes in operations along with current resources will be sufficient to protect the Alliance from the near-term negative impact related to the COVID-19 pandemic. The extent to which the pandemic may impact the Alliance's operations remains uncertain.

In addition, the pandemic has had a broad impact on commerce and financial markets around the world. The United States and global markets experienced significant volatility resulting from uncertainty caused by the pandemic. The Alliance is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of this volatility.

Supplementary Information

GILMORE & ASSOCIATES, LLP

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
California Alliance of Child and Family Services

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 consolidated financial statements of California Alliance of Child and Family Services ("the Alliance"), which comprise the statement of financial position as of December 31, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2023.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alliance'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Alliance's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alliance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilmore & Associates LLP

San Mateo, California
June 12, 2023

GILMORE & ASSOCIATES, LLP

June 12, 2023

To Those Charged with Governance
California Alliance of Child and Family Services

We have audited the consolidated financial statements of California Alliance of Child and Family Services (the Alliance) for the year ended December 31, 2022 and have issued our report thereon dated June 12, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter to you dated February 1, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Alliance are described in Note 1. Effective January 1, 2022, the Alliance adopted the new lease standard under ASU 842, *Leases.* The application of other existing policies was not significantly changed during the year ended December 31, 2022. We noted no transactions entered into by Alliance during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the fair market value of investments is based on appropriate valuation techniques. When available, management uses unadjusted quoted prices on active markets for identical assets. We evaluated the key factors and assumptions used to determine fair value of investments in determining that they are reasonable in relation to the financial statements taken as a whole.

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- Management's estimate of the depreciable lives and estimated residual value of property and equipment is based on the estimated useful life of the asset. We evaluated the key factors and assumptions used to develop the estimate of depreciable lives and estimated residual value of property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting financial statements are:

- Information regarding liquidity and availability in Note 9.
- Contingencies including imposition of cancellation fees in Note 13.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 12, 2023.

Management Consultations with Other Independent Accountants

In some cases management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Alliance's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Alliance's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

This information is intended solely for the use of those charged with governance and management of California Alliance of Child and Family Services and is not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

Gilmore & Associates LLP

Gilmore & Associates, LLP