

CHILDREN'S FUND, INC.

FINANCIAL STATEMENTS

June 30, 2020 and 2019

CHILDREN'S FUND, INC.

June 30, 2020 and 2019

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Children's Fund, Inc.
San Bernardino, California

Report on Financial Statements

We have audited the accompanying financial statements of Children's Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards*, issued by the U.S. Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Fund, Inc., as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Children's Fund, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated May 5, 2021, on our consideration of the Organization's internal control over financial reporting and 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 and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "K. H. & K. H.", is positioned to the right of the main text block.

May 5, 2021
San Bernardino, California

CHILDREN'S FUND, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(Summarized Totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and Equivalents	\$ 1,041,616	\$ 885,617
Accounts Receivable	259,382	215,640
Pledges Receivable	81,225	114,650
Program Inventory	466,309	186,133
Prepaid Expenses	6,217	13,944
Total Current Assets	<u>1,854,749</u>	<u>1,415,984</u>
Property and Equipment		
Furniture and Equipment	220,623	220,623
Tenant Improvements	5,088	5,088
Accumulated Depreciation	<u>(213,949)</u>	<u>(204,921)</u>
Total Property and Equipment	<u>11,762</u>	<u>20,790</u>
Other Assets		
Investments	399,443	365,330
Security Deposit	<u>8,626</u>	<u>8,626</u>
Total Other Assets	<u>408,069</u>	<u>373,956</u>
Total Assets	<u>\$ 2,274,580</u>	<u>\$ 1,810,730</u>

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.
STATEMENT OF FINANCIAL POSITION
 June 30, 2020
 (Summarized Totals for 2019)

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 31,181	\$ 24,720
Accrued Payroll Costs	48,889	79,588
Deferred Revenue	27,276	30,947
Paycheck Protection Program Loan	50,172	-
Total Liabilities	157,518	135,255
Net Assets		
Board Designated	295,077	254,599
Other Unrestricted	1,062,915	1,097,981
Total Net Assets Without Donor Restrictions	1,357,992	1,352,580
Net Assets With Donor Restrictions	759,070	322,895
Total Net Assets	2,117,062	1,675,475
Total Liabilities and Net Assets	\$ 2,274,580	\$ 1,810,730

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020
(Summarized Totals for 2019)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>
Revenues and Support				
Fundraising Event Revenue	\$ 1,052,198	\$ 74,500	\$ 1,126,698	\$ 1,381,274
Direct Event Costs	(168,362)	-	(168,362)	(368,014)
Net Fundraising Events	883,836	74,500	958,336	1,013,260
Contributions	545,709	373,856	919,565	748,429
First 5 Contracts	722,847	-	722,847	778,852
CalOES Contract	536,108	-	536,108	274,099
County Contracts	469,963	-	469,963	585,397
In-Kind Contributions	291,635	-	291,635	160,887
Paycheck Protection Program	113,828	-	113,828	-
Investment and Other Income	19,743	10,555	30,298	24,181
	3,583,669	458,911	4,042,580	3,585,105
Released From Restriction	22,736	(22,736)	-	-
Total Revenues and Support	3,606,405	436,175	4,042,580	3,585,105
Expenses				
Program Services				
Community Services	3,065,231	-	3,065,231	3,441,145
Support Services				
Management and General	429,260	-	429,260	393,727
Fundraising	106,502	-	106,502	105,465
Total Expenses	3,600,993	-	3,600,993	3,940,337
Change in Net Assets	5,412	436,175	441,587	(355,232)
Net Assets - Beginning	1,352,580	322,895	1,675,475	2,030,707
Net Assets - Ending	\$ 1,357,992	\$ 759,070	\$ 2,117,062	\$ 1,675,475

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.

STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2020
(Summarized Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 441,587	\$ (355,232)
Noncash Items Included in Revenues and Expenses -		
Unrealized Investment (Gains)	(6,046)	(11,383)
Depreciation	9,028	15,160
Change in Cash Resulting From Changes In:		
Accounts Receivable	(43,742)	(27,163)
Pledges Receivable	33,425	323,300
Program Inventory	(280,176)	8,609
Prepaid Expenses and Deposits	7,727	(1,448)
Accounts Payable	6,461	6,994
Accrued Payroll Costs	(30,699)	2,537
Deferred Revenue	(3,671)	(6,852)
Cash Provided (Used) By Operating Activities	<u>133,894</u>	<u>(45,478)</u>
Cash Flows From Investing Activities		
Purchase of Investments	<u>(28,067)</u>	<u>(62,798)</u>
Cash (Used) By Investing Activities	<u>(28,067)</u>	<u>(62,798)</u>
Cash Flows From Financing Activities		
Paycheck Protection Program Borrowings	164,000	-
Retirement of Notes Payable	<u>(113,828)</u>	-
Cash Provided By Investing Activities	<u>50,172</u>	-
Increase (Decrease) in Cash and Equivalents	155,999	(108,276)
Cash and Equivalents – Beginning	<u>885,617</u>	<u>993,893</u>
Cash and Equivalents – Ending	<u>\$ 1,041,616</u>	<u>\$ 885,617</u>

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2020

(Summarized Totals for 2019)

	<u>Community</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fund</u> <u>Raising</u>	<u>2020 Total</u> <u>Expenses</u>	<u>2019 Total</u> <u>Expenses</u>
Salaries and Wages	\$ 565,804	\$ 221,402	\$ 32,800	\$ 820,006	\$ 810,273
Payroll Taxes	42,996	16,848	2,497	62,341	61,745
Employee Benefits	19,592	7,666	1,136	28,394	41,391
Pension Costs	7,333	2,869	425	10,627	11,283
Total Salaries and Costs	635,725	248,785	36,858	921,368	924,692
Community Services					
Assessment Center	858,745	-	-	858,745	970,559
Emergency Needs	646,936	-	-	646,936	760,906
Celebration of Giving	556,159	-	-	556,159	772,442
County Program Services	146,811	-	-	146,811	132,678
	2,208,651	-	-	2,208,651	2,636,585
Outside Services	23,569	91,824	44,922	160,315	112,951
Office Rent	81,812	27,675	1,212	110,699	105,853
Promotion	37,188	865	5,189	43,242	20,948
Telephone	20,401	7,285	1,458	29,144	27,755
Printing and Postage	14,811	3,599	9,454	27,864	16,854
Repairs and Maintenance	16,250	4,806	2,976	24,032	6,581
Professional Fees	1,085	21,845	-	22,930	20,801
Insurance	8,579	9,507	-	18,086	19,092
Administration	10,364	2,764	691	13,819	11,468
Depreciation	4,514	4,514	-	9,028	15,160
Office Supplies	1,511	5,120	1,849	8,480	15,442
Employee Expenses	771	671	1,893	3,335	6,155
	220,855	180,475	69,644	470,974	379,060
Total 2020 Expenses	\$ 3,065,231	\$ 429,260	\$ 106,502	\$ 3,600,993	
Total 2019 Expenses	\$ 3,441,145	\$ 393,727	\$ 105,465		\$ 3,940,337

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND OTHER MATTERS

Children's Fund, Inc. is a nonprofit corporation organized in California in 1986. The Organization is a public-private partnership created for the purpose of providing services and products to vulnerable and high-risk children in San Bernardino County. The Organization's principal sources of revenue are from private contributions, fundraising events, and governmental agencies that provide assistance to high-risk children. Community services provided by the Organization include several key programs:

Child Services assist at-risk children with food, shelter, clothing, medical care, and educational needs through several methods, including the County Emergency Needs program and subgrants and projects with other organizations that work with vulnerable and high-risk children in San Bernardino County.

The Children's Assessment Center is a collaborative partnership with the County of San Bernardino and Loma Linda University Children's Hospital to provide specialized response to child victims of sexual and physical abuse in San Bernardino County. Children's Fund works closely with the Assessment Center to identify and secure funding for these critical services.

The Celebration of Giving is an annual campaign to distribute toys to underprivileged children in San Bernardino County. Toys are donated to the Organization or are purchased with contribution revenues.

The Scholarship Endowment Program sets up endowments with California State University San Bernardino, California Polytechnic University Pomona, Chaffey College, and other regional community colleges to provide annual college scholarships to underprivileged and high-risk children.

The financial statements include the assets, liabilities, revenues, and expenses of two auxiliary organizations that conduct fund-raising activities on behalf of Children's Fund.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

New Accounting Standard Adopted in 2020

In 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which introduced a comprehensive, principles-based framework for recognizing revenues intended to improve financial reporting by creating more consistency and comparability of revenue recognition across entities and industries. The ASU is effective for fiscal years beginning after December 15, 2019, and early adoption is permitted. The Organization has adopted this new ASU for its financial statements as of and for the year ended June 30, 2020.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect financial statement amounts at the reporting date and during the reporting period. Actual results could differ from those estimates.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Information

The financial statements include certain summarized comparative information from the prior year. This information does not include sufficient detail to be in conformity with GAAP. Such information should be read together with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was extracted. Certain amounts in the prior year financial statements have been reclassified for comparison purposes to conform to the current year presentation.

Revenue Recognition

Contracts with Funding Agencies: In accordance with ASU 2014-09, revenue from contracts with federal, state, and local funding agencies is recognized when qualifying costs are incurred for cost-reimbursement contracts or when units of service are provided for performance contracts. The adoption of this ASU has not resulted in a change in the Organization's method of recognizing revenue under these contracts.

The transaction price is stated in each contract and is satisfied over time, generally by monthly billings over the one-year contract period. The significant judgments required to apply the ASU involve 1) determining that a cost allowable under the contract has been incurred, and 2) determining that the cost relates to a period covered by the contract. Both of these performance obligations must be satisfied before the funding agency can be billed for reimbursement, and revenue is recognized when the funding agency is billed. Contract revenues are subject to audit and review by funding agencies, and in some cases, cost reimbursement may be disallowed.

Service Fees: The Organization recognizes service fee revenue in the period when the services are provided and when the amount and certainty of the fee can be determined.

Contributions: GAAP required that information about financial position and activities be reported in two net asset classes: with donor restrictions and without donor restrictions. Net assets with donor restrictions may be either temporarily or permanently restricted. Contributions without donor restrictions are recognized when received. Contributions restricted by the donor are presented as increases in net assets with donor restrictions, depending on the nature of the donor-imposed restriction. When temporary restrictions are satisfied, the restricted net assets are reclassified to net assets without donor restrictions and reported in the activity statement as net assets released from restrictions.

Fair Value Measurements

GAAP provides 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 – quoted prices in active markets for identical assets
- Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets
- Level 3 inputs – estimates using the best information available when there is little or no market

The Organization is required to measure in-kind contributions and investments at fair value. The technique used to measure fair values is described in Note 4 for in-kind contributions and Note 10 for investments.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all temporary cash investments with original maturities of three months or less to be cash equivalents.

Valuation of Accounts and Pledges Receivable

Accounts and pledges receivable described in Note 3 are considered by management to be fully collectable.

Donated Services

Many individuals have donated significant time and services to advance the Organization's programs and objectives. These services have not been recorded in the financial statements because no objective basis is available to measure the value of such services.

Program Inventory

Program inventory consists of gift cards and goods purchased from local retailers for Child Services programs, as well as goods donated for sale. Inventory is reported at cost or donated value.

Property and Equipment and Depreciation

Property and equipment are reported at cost or donated value and are depreciated by the straight-line method over estimated useful lives of five years. The Organization's policy is to capitalize additions of \$1,000.

Income Taxes

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

Recently Issued Accounting Standard Updates

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance requires the recognition of lease contracts, including existing and new arrangements, as assets and liabilities on the statement of financial position. The guidance is effective for annual reporting periods beginning after December 15, 2021. Management is evaluating the impact this update will have on the Organization's future financial statements.

Functional Expenses

The costs of providing the Organization's programs and services have been summarized on a functional basis in the statement of functional expenses. Based on management estimates and an allocation plan, costs are allocated between programs and supporting services as they relate to those functions. The allocation of costs depends on the nature of the cost, the reason the cost is incurred, and the benefit received by each function.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – ACCOUNTS AND PLEDGES RECEIVABLE

<u>Accounts receivable</u> consist of the following amounts:	<u>2020</u>	<u>2019</u>
First 5 Contracts	\$ 150,134	\$ 95,531
CalOES Contract	69,866	51,782
Children's Network Contract	29,302	-
Children and Family Services Contract	10,080	63,040
Other Receivables	-	5,287
Total Accounts Receivable	<u>\$ 259,382</u>	<u>\$ 215,640</u>

<u>Pledges receivable</u> are due within one year, and consist of:	<u>2020</u>	<u>2019</u>
Golf Event	\$ 78,000	\$ 4,650
Jack Brown Family Foundation	-	100,000
Others	3,225	10,000
Total Pledges Receivable	<u>\$ 81,225</u>	<u>\$ 114,650</u>

NOTE 4 – IN-KIND CONTRIBUTIONS

The Organization receives significant in-kind contributions, which include products, services, and facilities. These donations are recorded when the value can be objectively measured and when they would be purchased if not donated. The value of these in-kind contributions has been measured on a nonrecurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs). In-kind contributions include the following items:

	<u>2020</u>	<u>2019</u>
Celebration of Giving – Toys	\$ 804,176	\$ 742,336
Golf Event - Supplies	-	68,148
In-Kind Contributions Included in Event Revenues	804,176	810,484
Child Services – Supplies	291,635	160,887
Total In-Kind Contributions	<u>\$ 1,095,811</u>	<u>\$ 971,371</u>

NOTE 5 – DEFERRED REVENUE

Deferred revenue consists of the following amounts:	<u>2020</u>	<u>2019</u>
District Attorney Contract	\$ 25,779	\$ 27,158
Probation Contract	1,497	37
Behavioral Health Contract	-	3,752
Total Deferred Revenue	<u>\$ 27,276</u>	<u>\$ 30,947</u>

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – OPERATING LEASES

The Organization occupies office space under the terms of an amended seven-year non-cancellable operating lease that expires in September 2021. Rent expense for the years ended June 30, 2020 and 2019 was \$110,699 and \$105,853, respectively. Rent may be adjusted for tenant performance on other terms of the agreement.

Future minimum rental obligations under this lease are as follows:

June 30, 2021	\$ 97,200
June 30, 2022	<u>24,300</u>
Total Future Minimum Obligation	<u>\$ 121,500</u>

NOTE 7 – RESTRICTIONS ON NET ASSETS

<u>Net assets with donor restrictions</u> consist of the following:	<u>2020</u>	<u>2019</u>
Children's Assessment Center (temporary restrictions)		
A. Gary Anderson Family Foundation (purpose restriction)	\$ 190,362	\$ 201,921
San Manuel Band of Mission Indians (time restriction)	195,164	450
Ludwick Family Foundation (purpose restriction)	100,000	-
Golf Tournament Donors (purpose restriction)	74,500	-
Ramos Scholarship Fund Earnings (purpose restriction)	28,872	10,667
Other Donors (purpose restrictions)	<u>13,173</u>	<u>9,857</u>
Total Children's Assessment Center	602,070	222,895
Ramos Family Scholarship Fund (permanent restriction)	<u>157,000</u>	<u>100,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 759,070</u>	<u>\$ 322,895</u>

Net assets released from restriction consist of the following:

Children's Assessment Center		
A. Gary Anderson Family Foundation (purpose restriction)	\$ 11,559	\$ 260,904
Ramos Scholarship Fund Earnings (purpose restriction)	10,667	-
San Manuel Band of Mission Indians (time restriction)	450	399,550
Other Donors (purpose restrictions)	<u>60</u>	<u>22,567</u>
Total Net Assets Released from Restriction	<u>\$ 22,736</u>	<u>\$ 683,021</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

The Organization has a conflict-of-interest policy that governs transactions with related parties. Management may engage in such transactions when they are at least equivalent to similar transactions with an unrelated party. During the reporting periods, the Organization engaged in immaterial transactions with companies related to Board members and conducted those transactions in accordance with this policy.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – PENSION PLAN

The Organization has a defined contribution pension plan covering employees who satisfy the age and years of service requirements. Plan contributions include voluntary employee contributions and discretionary employer contributions. In the reporting periods, the Organization contributed \$10,627 in 2020 and \$11,283 in 2019.

NOTE 10 – ENDOWMENT AND QUASI-ENDOWMENT

In accordance with California state law (the state version of UPMIFA), the Organization has classified as permanently restricted the fair value of donations restricted by donors to be held as endowments in perpetuity. The executive committee has interpreted the law as requiring preservation of the fair value of the original endowment gift unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted the original value of gifts made to the permanent endowment.

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 Organization. The Organization is currently reinvesting interest and dividends back into the Endowment fund to promote long term growth. In accordance with California law (SPMIFA), the Organization has also established amounts intended by the Board to be held as an endowment to be used only for Board approved purposes. Since this endowment was not created by donors, it is considered a “quasi-endowment” and is classified as unrestricted.

Unappropriated earnings on quasi-endowment assets are also classified as unrestricted net assets. The Organization classifies as quasi-endowment (1) the original value approved for quasi-endowment, (2) the original value of subsequent gifts to the quasi-endowment, and (3) accumulations to the quasi-endowment made in accordance with the direction of the board of directors. Earnings are currently being reinvested in the endowment to promote long-term growth.

From time to time, the fair value of endowment assets may, due to unfavorable market fluctuations, fall below the level that donors required to be retained as a fund of perpetual duration. In accordance with GAAP, declines of this nature are reported as losses in unrestricted net assets. As values recover, the increases are reported as unrestricted gains. At the reporting date, the Organization had no such declines in value.

The Organization has adopted an investment policy and spending guidelines for endowment and quasi-endowment assets to provide a predictable stream of revenues for operating activities and to preserve the purchasing power of the assets. Under these policies, endowment and quasi-endowment assets are invested to produce a return that is expected to meet or exceed the rate of inflation as measured by the Consumer Price Index. Actual results during any period may vary from these expectations. The Organization 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.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – ENDOWMENT AND QUASI-ENDOWMENT (continued)

June 30, 2020 - Endowment Composition:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 23,220	\$ 157,000	\$ 180,220
Board-designated endowment funds	295,077	-	-	295,077
Total funds	<u>\$ 295,077</u>	<u>\$ 23,220</u>	<u>\$ 157,000</u>	<u>\$ 475,297</u>

June 30, 2020 – Endowment Changes:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 254,599	\$ 10,667	\$ 100,000	\$ 365,266
Contributions/Transfers	20,735	5,000	57,000	82,735
Investment income	10,955	10,295	-	21,250
Net appreciation (depreciation)	8,788	(2,742)	-	6,046
Endowment net assets, ending	<u>\$ 295,077</u>	<u>\$ 23,220</u>	<u>\$ 157,000</u>	<u>\$ 475,297</u>

June 30, 2019 - Endowment Composition:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 10,667	\$ 100,000	\$ 110,667
Board-designated endowment funds	254,599	-	-	254,599
Total funds	<u>\$ 254,599</u>	<u>\$ 10,667</u>	<u>\$ 100,000</u>	<u>\$ 365,266</u>

June 30, 2019 – Endowment Changes:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning	\$ 240,599	\$ 486	\$ 50,000	\$ 291,085
Contributions/Transfers	-	-	50,000	50,000
Investment income	12,337	461	-	12,798
Net appreciation	1,663	9,720	-	11,383
Endowment net assets, ending	<u>\$ 254,599</u>	<u>\$ 10,667</u>	<u>\$ 100,000</u>	<u>\$ 365,266</u>

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – ENDOWMENT AND QUASI-ENDOWMENT (continued)

The fair value of investments is measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

	<u>Donated Value/Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
<u>June 30, 2020</u>			
Mutual Funds	\$ 365,140	\$ 399,360	\$ 34,220
Money Market Funds	<u>83</u>	<u>83</u>	-
Total	<u>\$ 365,223</u>	<u>\$ 399,443</u>	34,220
Unrealized Gains – Prior Years			<u>28,174</u>
Unrealized Gain – During the Year Ended 6/30/2020			<u>\$ 6,046</u>

	<u>Donated Value/Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
<u>June 30, 2019</u>			
Mutual Funds	\$ 316,873	\$ 345,047	\$ 28,174
Money Market Funds	<u>20,283</u>	<u>20,283</u>	-
Total	<u>\$ 337,156</u>	<u>\$ 365,330</u>	28,174
Unrealized Gains – Prior Years			<u>16,791</u>
Unrealized Gain – During the Year Ended 6/30/2019			<u>\$ 11,383</u>

NOTE 11 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization receives a small amount of support from contributions that include donor-imposed restrictions which limit the use of those contributions. All of the remaining revenues and the related financial assets are available for general expenditures in future periods.

At June 30, 2020, the Organization had cash and receivables without restrictions of \$623,153. This amount was available to pay general expenditures as they come due. In the year ended June 30, 2020, general expenditures totaled \$3,600,993.

NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

Cash flows from operating activities included no payments for interest or income taxes in 2020 or 2019.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – UNCERTAINTIES

In 2020, domestic and international economies face uncertainty related to the impact of the COVID-19 virus. The Organization may be adversely affected by the economic results of this uncertainty. Management is currently evaluating these impacts and considering their effects on future operations.

In April 2020, Children's Fund received a Paycheck Protection Program (PPP) loan in the amount of \$164,000. Management has determined that \$113,828 has been spent on payroll costs that qualify for loan forgiveness, and this amount has been recorded as revenue at June 30, 2020. Subsequent to year-end, the unused PPP funds included in the loan balance of \$50,172 were spent on qualified payroll costs, and the entire amount of the PPP loan has been forgiven.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 5, 2021, the date when the financial statements were available to be issued.

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

Board of Directors
Children's Fund, Inc.
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Children's Fund, Inc. as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated May 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph above 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Kendall Kandy".

May 5, 2021
San Bernardino, California