

CHILDREN'S FUND, INC.

FINANCIAL STATEMENTS

June 30, 2021 and 2020

CHILDREN'S FUND, INC.

June 30, 2021 and 2020

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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, 2021, 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

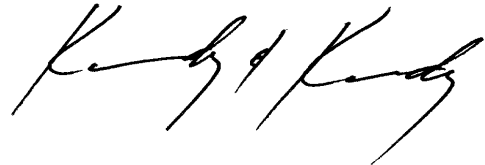
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Fund, Inc., as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Children’s Fund, Inc.’s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 17, 2022, 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 "Kung & Kung". The signature is written in a cursive, flowing style.

May 17, 2022
San Bernardino, California

CHILDREN'S FUND, INC.
STATEMENT OF FINANCIAL POSITION
 June 30, 2021
 (Summarized Totals for 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and Equivalents	\$ 787,016	\$ 1,041,616
Contracts Receivable	316,197	259,382
Pledges Receivable	100,000	81,225
Employer Retention Credit Receivable	130,216	-
Program Inventory	232,506	466,309
Prepaid Expenses	23,627	6,217
	1,589,562	1,854,749
Property and Equipment		
Furniture and Equipment	219,618	220,623
Tenant Improvements	5,088	5,088
Vehicles	33,180	-
Accumulated Depreciation	(224,815)	(213,949)
	33,071	11,762
Other Assets		
Investments	498,349	399,443
Security Deposit	8,626	8,626
	506,975	408,069
Total Assets	\$ 2,129,608	\$ 2,274,580

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(Summarized Totals for 2020)

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 44,525	\$ 31,181
Accrued Payroll Costs	56,616	48,889
Contract Liabilities	26,994	27,276
Refundable Contract Advance	22,675	-
Paycheck Protection Program Loan	38,873	50,172
Total Liabilities	189,683	157,518
Net Assets		
Board Designated	295,077	295,077
Other Unrestricted	1,144,914	1,062,915
Total Net Assets Without Donor Restrictions	1,439,991	1,357,992
Net Assets With Donor Restrictions	499,934	759,070
Total Net Assets	1,939,925	2,117,062
Total Liabilities and Net Assets	\$ 2,129,608	\$ 2,274,580

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2021
(Summarized Totals for 2020)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2021 <u>Total</u>	2020 <u>Total</u>
Revenues and Support				
Fundraising Event Revenue	\$ 1,067,680	\$ -	\$ 1,067,680	\$ 1,126,698
Direct Event Costs	(336,079)	-	(336,079)	(168,362)
Net Fundraising Events	731,601	-	731,601	958,336
First 5 Contracts	717,221	-	717,221	722,847
County Contracts	549,176	-	549,176	469,963
CalOES Contract	531,915	-	531,915	536,108
Contributions	381,707	90,500	472,207	919,565
In-Kind Contributions	368,311	-	368,311	291,635
Paycheck Protection Program	150,866	-	150,866	113,828
Employee Retention Credit	130,216	-	130,216	-
Unrealized gain on Investments	77,600	-	77,600	6,046
Investment and Other Income	22,041	-	22,041	24,252
	3,660,654	90,500	3,751,154	4,042,580
Released From Restriction	349,636	(349,636)	-	-
Total Revenues and Support	4,010,290	(259,136)	3,751,154	4,042,580
Expenses				
Program Services				
Community Services	3,311,507	-	3,311,507	3,065,231
Support Services				
Management and General	474,954	-	474,954	429,260
Fundraising	141,830	-	141,830	106,502
Total Expenses	3,928,291	-	3,928,291	3,600,993
Change in Net Assets	81,999	(259,136)	(177,137)	441,587
Net Assets - Beginning	1,357,992	759,070	2,117,062	1,675,475
Net Assets - Ending	\$ 1,439,991	\$ 499,934	\$ 1,939,925	\$ 2,117,062

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2021
(Summarized Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ (177,137)	\$ 441,587
Noncash Items Included in Revenues and Expenses -		
Unrealized Investment (Gains)	(77,600)	(6,046)
Depreciation	11,871	9,028
Change in Cash Resulting From Changes In:		
Contracts Receivable	(56,815)	(43,742)
Pledges Receivable	(18,775)	33,425
Employer Retention Credit Receivable	(130,216)	-
Program Inventory	233,803	(280,176)
Prepaid Expenses and Deposits	(17,410)	7,727
Accounts Payable	13,344	6,461
Accrued Payroll Costs	7,727	(30,699)
Contract Liabilities and Advance	22,393	(3,671)
Cash Provided (Used) By Operating Activities	(188,815)	133,894
Cash Flows From Investing Activities		
Purchase of Investments	(21,306)	(28,067)
Purchase of Vehicle	(33,180)	-
Cash (Used) By Investing Activities	(54,486)	(28,067)
Cash Flows From Financing Activities		
Paycheck Protection Program Borrowings	139,567	164,000
Retirement of PPP Loans	(150,866)	(113,828)
Cash Provided (Used) By Financing Activities	(11,299)	50,172
Increase (Decrease) in Cash and Equivalents	(254,600)	155,999
Cash and Equivalents – Beginning	1,041,616	#REF!
Cash and Equivalents – Ending	\$ 787,016	#REF!

See Accompanying Notes to Financial Statements.

CHILDREN'S FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2021
(Summarized Totals for 2020)

	<u>Community Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2021 Total Expenses</u>	<u>2020 Total Expenses</u>
Salaries and Wages	\$ 488,207	\$ 188,869	\$ 35,636	\$ 712,712	\$ 820,006
Payroll Taxes	37,181	14,394	2,716	54,291	62,341
Employee Benefits	21,000	8,124	1,533	30,657	28,394
Pension Costs	9,451	3,656	690	13,797	10,627
Total Salaries and Costs	555,839	215,043	40,575	811,457	921,368
Community Services					
Assessment Center	1,046,501	-	-	1,046,501	858,745
Emerging Needs	732,692	-	-	732,692	646,936
Celebration of Giving	732,579	-	-	732,579	556,159
County Program Services	77,603	-	-	77,603	146,811
	2,589,375	-	-	2,589,375	2,208,651
Outside Services					
Office Rent	43,653	173,409	83,218	300,280	160,315
Telephone	46,666	15,785	691	63,142	110,699
Office Supplies	22,853	8,161	1,634	32,648	29,144
Professional Fees	5,351	18,134	6,550	30,035	8,480
Insurance	1,087	21,260	-	22,347	22,930
Printing and Postage	9,098	10,082	-	19,180	18,086
Depreciation	9,483	2,304	6,052	17,839	27,864
Administration	5,936	5,935	-	11,871	9,028
Repairs and Maintenance	8,710	2,323	580	11,613	13,819
Promotion	7,660	2,266	1,403	11,329	24,032
Employee Expenses	5,658	132	790	6,580	43,242
	138	120	337	595	3,335
	166,293	259,911	101,255	527,459	470,974
Total 2021 Expenses	\$ 3,311,507	\$ 474,954	\$ 141,830	\$ 3,928,291	
Total 2020 Expenses	\$ 3,065,231	\$ 429,260	\$ 106,502		\$ 3,600,993

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

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.

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, 2020, 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.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition and Presentation

The Organization presents its financial statements and recognizes revenues in accordance with accounting principles generally accepted in the United States of America (GAAP), which provides guidance for reporting information about financial position and activities for nonprofit organizations.

GAAP requires that revenue from contracts with funding agencies be recognized using a principles-based five-step framework that is intended to create consistency and comparability across entities and industries. The following is a summary of revenue recognition methodologies used by the Organization in conformity with these provisions of U.S. GAAP.

Contracts with Funding Agencies: 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 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 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 reimbursements may be disallowed. Revenues from contracts with funding agencies are disaggregated in the statement of activities and are reported separately from other categories of revenue.

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 requires 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.

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 Contracts and Pledges Receivable

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

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 11 for investments.

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 – CONTRACTS AND PLEDGES RECEIVABLE

<u>Contracts receivable</u> consist of the following amounts:	<u>2021</u>	<u>2020</u>
First 5 Contracts	\$ 211,311	\$ 150,134
CalOES Contract	43,547	69,866
Children’s Network Contract	48,370	29,302
Children and Family Services Contract	7,116	10,080
SB County Public Defender	5,853	-
Total Accounts Receivable	<u>\$ 316,197</u>	<u>\$ 259,382</u>

<u>Pledges receivable</u> are due within one year, and consist of:	<u>2021</u>	<u>2020</u>
Jack Brown Family Foundation	\$ 100,000	\$ -
Golf Event	-	78,000
Others	-	3,225
Total Pledges Receivable	<u>\$ 100,000</u>	<u>\$ 81,225</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>2021</u>	<u>2020</u>
Celebration of Giving – Toys	\$ 526,784	\$ 804,176
Golf Event - Supplies	35,859	-
In-Kind Contributions Included in Event Revenues	562,643	804,176
Child Services – Supplies	368,311	291,635
Total In-Kind Contributions	<u>\$ 930,954</u>	<u>\$ 1,095,811</u>

NOTE 5 – CONTRACT LIABILITIES / REFUNDABLE ADVANCES

Contract liabilities from funding sources consist of payments received from San Bernardino County before performance obligations have been satisfied on the District Attorney and Probation contracts. These totaled \$26,694 in 2021 and \$27,276 in 2020.

Refundable contract advance of \$22,675 is the amount owed to San Bernardino County for an overpayment on a contract with the County Department of Behavioral Health.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – OPERATING LEASE

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, 2021 and 2020 was \$63,142 and \$110,699, respectively. Rent may be adjusted for tenant performance on other terms of the agreement. Future minimum rental obligations under this lease are \$24,300 during the year ended June 30, 2022.

NOTE 7 – RESTRICTIONS ON NET ASSETS

<u>Net assets with donor restrictions</u> consist of the following:	<u>2021</u>	<u>2020</u>
Children's Assessment Center (temporary restrictions)		
San Manuel Band of Mission Indians (time restriction)	\$ -	\$ 195,164
SB County District Attorney (purpose restriction)	59,888	-
Golf Tournament Donors (purpose restriction)	-	74,500
Other Donors (purpose restrictions)	<u>17,414</u>	<u>13,172</u>
Total Children's Assessment Center	77,302	282,836
A. Gary Anderson Family Foundation (purpose restriction)	185,315	190,362
Ludwick Family Foundation (purpose restriction)	39,434	100,000
Ramos Family Scholarship Fund (purpose restriction)	<u>197,883</u>	<u>185,872</u>
Total Net Assets with Donor Restrictions	<u>\$ 499,934</u>	<u>\$ 759,070</u>

Net assets released from restriction consist of the following:

San Manuel Band of Mission Indians (time restriction)	\$ 195,164	\$ 450
Golf Tournament Donors	74,500	-
A. Gary Anderson Family Foundation (purpose restriction)	5,046	11,559
Ludwick Family Foundation	60,566	-
Other Donors (purpose restrictions)	<u>14,360</u>	<u>60</u>
Total Net Assets Released from Restriction	<u>\$ 349,636</u>	<u>\$ 22,736</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 2021 and \$11,283 in 2020.

NOTE 10 – ENDOWMENT AND QUASI-ENDOWMENT

In accordance with California state law (the state version of UPMIFA), the Organization has classified as temporarily restricted the fair value of donations restricted by donors to be held as endowments for use in advancing the goals of Children’s Fund. The executive committee has interpreted the law as requiring that the funds be used as stipulated by the donors, whether by time or purpose restrictions. These donor restricted funds are held in short term investments, and are available for use as restrictions are satisfied. The earnings on these investments are unrestricted and are available for general use by the Organization.

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.

The quasi-endowment funds are held in short term investments, and the earnings are also classified as unrestricted revenues. 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) other accumulations to the quasi-endowment made in accordance with the direction of the Board.

From time to time, the fair value of endowment assets may, due to unfavorable market fluctuations, fall below the amount of unused donations required by donors to be temporarily restricted. 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.

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 an asset allocation that provides a balance among equity investments.

<u>Endowment Net Assets</u>	<u>2021</u>	<u>2020</u>
Donor-restricted Ramos Scholarship Fund	\$ 197,883	\$ 185,872
Board-designated quasi-endowments	<u>295,077</u>	<u>295,077</u>
Total Endowments	<u>\$ 492,960</u>	<u>\$ 480,949</u>
<u>Endowment Assets</u>		
Short Term Investments	<u>\$ 498,349</u>	<u>\$ 399,443</u>

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – INVESTMENTS

Investments are held in accounts with Vanguard. 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, 2021</u>			
Mutual Funds	\$ 386,446	\$ 498,266	\$ 111,820
Money Market Funds	<u>83</u>	<u>83</u>	<u>-</u>
Total	<u>\$ 386,529</u>	<u>\$ 498,349</u>	111,820
Unrealized Gains – Prior Years			<u>34,220</u>
Unrealized Gain – During the Year Ended 6/30/2021			<u>\$ 77,600</u>

	<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>	<u>-</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>

NOTE 12 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization receives some 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 to pay for general expenditures in future periods.

At June 30, 2021, the Organization had the following financial assets:

Cash and Equivalents	\$ 787,016
Contracts and Pledges and Credits Receivable	546,413
Investments	498,349
Net Assets with Donor Restrictions	<u>(499,934)</u>
Financial Resources Available for General Expenditures	<u>\$ 1,331,844</u>

In the year ended June 30, 2021, general expenditures totaled \$3,928,291.

CHILDREN'S FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 17, 2022, the date when the financial statements were available to be issued.

NOTE 14 – UNCERTAINTIES

In 2021, 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 the effects of the pandemic on future operations.

In April 2020, Children's Fund received a Paycheck Protection Program (PPP) loan in the amount of \$164,000. As of June 30, 2020, management determined that the amount of \$113,828 had been spent on qualified costs and that amount was recognized as revenue in the year ended June 30, 2020, leaving an unused loan balance at that date of \$50,172. That balance was used for qualified costs in July and August of 2020. A forgiveness application was then submitted, and the full amount of the loan was forgiven by the Small Business Administration (SBA) on 12/30/2020.

In May 2021, the Organization applied for and received a second PPP loan in the amount of \$139,567. As of June 30, 2021, management determined that qualified costs had been spent in the amount \$100,694, and that amount was recognized as revenue in the year ended June 30, 2021, leaving an unused loan balance at that date of \$38,873. Subsequent to year end, management has determined that this remaining balance has been spent on qualified costs, and an application for forgiveness is being prepared for submission to SBA. Management expects the full amount of this loan to be forgiven.

**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, 2021, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated May 17, 2022.

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.

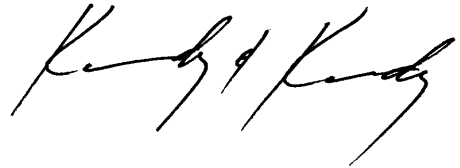
Our consideration of internal control was for the limited purpose described in the first paragraph above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any 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 "Kathy & Kathy", written in a cursive style.

May 17, 2022
San Bernardino, California