Exceptional Children's Foundation and Affiliates

Consolidated Financial Statements
and Supplementary Information

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Exceptional Children's Foundation and Affiliates
Culver City, California

Opinion

We have audited the accompanying consolidated financial statements of Exceptional Children's Foundation and Affiliates (collectively, the "ECF"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, 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 Exceptional Children's Foundation and Affiliates as of June 30, 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Exceptional Children's Foundation 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 these 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 Exceptional Children's Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Exceptional Children's Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Exceptional Children's Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, on our consideration of the ECF's 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 the ECF's 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 the ECF's internal control over financial reporting and compliance.

Armanino LLP

Armanino[LLP]
Los Angeles, California

December 19, 2022

Exceptional Children's Foundation and Affiliates
Consolidated Statement of Financial Position
June 30, 2022

ASSETS

Current assets	
Cash and cash equivalents	$ 701,467
Investments	8,696,602
Accounts receivable	3,557,755
Pledges receivable	10,000
Inventory	130,211
Prepaid expenses and other current assets	300,818
Total current assets	13,396,853
Other assets	
Endowment investments	8,513,822
Restricted cash	121,263
Restricted deposits and funded reserves	331,465
Security deposits	51,771
Fixed assets, net	20,284,124
Property held for sale	66,067
New Markets note receivable	5,335,875
Total other assets	34,704,387
Total assets	$ 48,101,240

The accompanying notes are an integral part of these consolidated financial statements.

Exceptional Children's Foundation and Affiliates
Consolidated Statement of Financial Position
June 30, 2022

LIABILITIES AND NET ASSETS

Current liabilities	
Revolving line of credit	$ 2,700,889
Current portion of long-term debt (HUD)	162,752
Accounts payable and accrued expenses	2,725,961
Total current liabilities	5,589,602
Long-term liabilities	
Long-term debt, net of current portion (HUD)	658,244
New Markets notes payable, net of unamortized debt issuance costs	7,578,382
Total long-term liabilities	8,236,626
Total liabilities	13,826,228
Net assets	
Without donor restrictions	
General	5,994,468
Designated for operations	1,672,112
Board-designated endowment	7,238,269
Designated for existing land and building	17,425,559
Total without donor restrictions	32,330,408
With donor restrictions	1,944,604
Total net assets	34,275,012
Total liabilities and net assets	$ 48,101,240

The accompanying notes are an integral part of these consolidated financial statements.

Exceptional Children's Foundation and Affiliates
Consolidated Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues			
Public support			
Contributions	$ 731,056	$ 674,040	$ 1,405,096
Fundraising events	677,699	-	677,699
Less: direct benefit to donor	(155,061)	-	(155,061)
Total public support	1,253,694	674,040	1,927,734
Revenues			
Tuition and fees	13,558,398	-	13,558,398
Non-public school revenues	4,344,421	-	4,344,421
Contract sales	1,797,219	-	1,797,219
Department of Mental Health revenues	1,609,737	-	1,609,737
Rents	841,656	-	841,656
Merchandise sales	45,091	-	45,091
Net assets released from restriction	995,715	(995,715)	-
Total revenues	23,192,237	(995,715)	22,196,522
	24,445,931	(321,675)	24,124,256
Functional expenses			
Program services	22,972,602	-	22,972,602
Management and general	3,210,782	-	3,210,782
Fundraising	952,215	-	952,215
Total functional expenses	27,135,599	-	27,135,599
Change in net assets from operations	(2,689,668)	(321,675)	(3,011,343)
Non-operating gains (losses)			
Forgiveness of Paycheck Protection Program loan	3,858,750	-	3,858,750
Interest and dividends, net of fees	357,422	-	357,422
Other income	160,712	-	160,712
Realized and unrealized losses on investments, net	(3,018,174)	(223,668)	(3,241,842)
Total non-operating gains (losses)	1,358,710	(223,668)	1,135,042
Change in net assets	(1,330,958)	(545,343)	(1,876,301)
Net assets, beginning of year	33,661,366	2,489,947	36,151,313
Net assets, end of year	$ 32,330,408	$ 1,944,604	$ 34,275,012

The accompanying notes are an integral part of these consolidated financial statements.

Exceptional Children's Foundation and Affiliates
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Personnel expenses				
Rehab and administration				
Salaries	$ 14,100,409	$ 1,919,317	$ 666,199	$ 16,685,925
Payroll taxes	1,240,374	143,985	47,724	1,432,083
Employee benefits	1,469,291	92,771	42,014	1,604,076
Total rehab and administration	16,810,074	2,156,073	755,937	19,722,084
Client payroll				
Payroll	738,768	5,877	-	744,645
Employee benefits	137,355	608	-	137,963
Payroll taxes	69,650	808	-	70,458
Total client payroll	945,773	7,293	-	953,066
Total personnel expenses	17,755,847	2,163,366	755,937	20,675,150
Depreciation and amortization	797,259	84,836	17,096	899,191
Professional services	492,303	123,822	14,949	631,074
Facility maintenance	545,510	39,144	10,438	595,092
Transportation and auto	527,067	12,268	-	539,335
Staff support services	857	426,996	-	427,853
Utilities	346,537	23,218	6,510	376,265
Production related	346,996	-	-	346,996
Program supplies	317,799	58	16	317,873
Insurance	268,194	40,130	3,748	312,072
Miscellaneous	96,995	150,342	28,061	275,398
Telephone	232,017	24,459	8,457	264,933
Staff mileage	240,071	18,610	5,836	264,517
Facility rent	260,066	-	-	260,066
Events and publications	713	1,448	230,684	232,845
Other production costs	201,904	-	-	201,904
Office supplies	96,016	53,587	22,907	172,510
Interest	153,640	17,815	-	171,455
Licenses and fees	150,320	9,047	510	159,877
Equipment rental and maintenance	90,930	8,507	1,636	101,073
Staff training and development	47,124	12,170	96	59,390
Agency support	4,437	959	395	5,791
Less expenses included with revenues on the statement of activities	-	-	(155,061)	(155,061)
Total less expenses included with revenues on the statement of activities	$ 22,972,602	$ 3,210,782	$ 952,215	$ 27,135,599

The accompanying notes are an integral part of these consolidated financial statements.

Exceptional Children's Foundation and Affiliates
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities	
Change in net assets	$ (1,876,301)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	899,191
Amortization of debt issuance costs	28,488
Realized and unrealized losses on investments	3,241,842
Gain on disposal of assets	(76,051)
Forgiveness of Paycheck Protection Program loan	(3,858,750)
Changes in operating assets and liabilities	
Accounts receivable	(779,933)
Pledges receivable	179,362
Inventory	34,575
Prepaid expenses and other current assets	(111,662)
Security deposits	3,255
Accounts payable and accrued expenses	(815,137)
Net cash used in operating activities	(3,131,121)
Cash flows from investing activities	
Proceeds from sale of fixed assets	599,947
Proceeds from sales of investments	200,001
Purchases of investments	(303,952)
Purchases of fixed assets	(914,022)
Net cash used in investing activities	(418,026)
Cash flows from financing activities	
Net borrowings on revolving line of credit	1,802,425
Principal payments on long-term debt	(148,424)
Net cash provided by financing activities	1,654,001
Net decrease in cash	(1,895,146)
Cash, cash equivalents and restricted cash, beginning of year	3,049,341
Cash, cash equivalents and restricted cash, end of year	$ 1,154,195

Cash, cash equivalents and restricted cash consisted of the following:	
Cash and cash equivalents	$ 701,467
Restricted cash	121,263
Restricted deposits and funded reserves	331,465
	$ 1,154,195

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 171,455

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Exceptional Children's Foundation and its affiliates, Friends of ECF, Valverde, Inc. and ERAS Home II (collectively, "ECF") are California tax-exempt nonprofit corporations whose mission is to provide the highest quality services for children and adults who are challenged with developmental, learning and emotional barriers empowering them to reach their greatest potential. ECF provides a wide range of programs and services to infants, youths, adults and their families each year. People served include individuals with learning disabilities, intellectual disabilities, cerebral palsy, epilepsy, autism and related conditions. ECF has 15 program sites located throughout Los Angeles County.

Confronted with the unprecedented COVID Health Pandemic, ECF began shaping a new service environment and setting new standards of service delivery for the safety and benefit of nearly 4,000 children and adults who rely on us. All of ECF's programs mobilized rapidly and innovatively to respond to the crisis and the specific challenges of our service community. ECF reconfigured spaces and implemented best-practice health and safety measures, while creating new partnerships, platforms and opportunities for client learning.

In 2020-2021, ECF has committed seven hundred thousand dollars in capital improvements to their information technology systems to ensure they will be positioned to meet future needs.

ECF programs are as follows:

Kayne ERAS Center

The Kayne Eras Center ("KEC") is a large multi-service center serving children and their families each year through its mental health and special education programs and services. KEC is accredited by the Accrediting Commission for Schools, Western Association of Schools and Colleges (ACS WASC), a world-renowned accrediting association recognized by the U.S. Department of Education. WASC accreditation indicates the school meets the highest standards of academic quality, organizational capacity and educational effectiveness. Based in Culver City, California, KEC provides the highest quality educational programs and therapeutic services to meet the needs of students with special learning, emotional and developmental challenges. KEC's K-12 nonpublic school provides special education services to students from school districts throughout greater Los Angeles. KEC also includes on-site and home-based mental health as well as diagnostic and therapeutic services.

Programs and services provided by KEC include:

- Therapeutic creative enrichment programs
- Specialized speech, behavioral, occupational and educational therapy services
- Physical education and recreational services
- Specialized full day classroom programs
- Mental health programs
- Applied Behavioral Analysis program

1. NATURE OF OPERATIONS (continued)

Early Start

The Early Start program provides early intervention services to developmentally delayed and at-risk children and their families in central Los Angeles and the San Fernando Valley communities of Southern California. Early Start offers center-based and home visit services for infants and toddlers from birth to age three who are developmentally delayed and/or disabled. The program includes a variety of therapies and structured activities designed to help young children develop language, gross and fine motor, cognitive and social skills.

Development Activity Centers

The Developmental Activity Center in Los Angeles offers adults with moderate to profound developmental disabilities an opportunity to build self-care and social skills, volunteer in the community and enjoy craft activities and recreational outings in a creative learning environment.

Exceptional Community Connections

Exceptional Community Connections provide clients with opportunities to participate in meaningful community-based services and volunteer activities. Partnerships and collaborative projects are in place with businesses and community service organizations in Inglewood, Culver City and West Los Angeles where clients play a valued role while developing social skills and relationships with individuals and community-based organizations.

Art Centers

With studios in Inglewood, San Pedro, Whittier, Downtown and South Los Angeles, the Art Centers program encourages, assists and supports the maximum personal artistic development for adults with developmental disabilities. The Art Center program is nationally recognized for its leadership in demonstrating that individuals with developmental disabilities can often produce fine art. Art produced by ECF adult artists is showcased at ECF's Downtown Art Center Gallery as well as juried art shows and is also available for purchase at www.artecf.org . Artists receive a 50% commission from sales of their work and 50% goes back to ECF Art Centers to help fund services for ECF artists.

Exceptional Packaging Solutions

At a work activity site in Inglewood, California, adults learn good work habits and appropriate social skills while meeting governmental and private contract requirements for packaging, assembly and rework. The program provides facility based vocational training and paid work to improve earning potential and independent functioning of persons with developmental disabilities and to promote transition to community employment settings.

1. NATURE OF OPERATIONS (continued)

Accelerated Preparation Program

The Accelerated Preparation Program expedites the time it takes adults with lower-than-average work productivity levels to prepare for more advanced employment training by:

- Teaching the work, life and soft skills needed to become employable.
- Assessing participant strengths and matching training to their interests.
- Providing customized instruction and training materials for each individual.
- Offering work experience that pays minimum wage while providing support and training around work habits, behaviors and skills.

Participants complete the program with a broader set of skills and increased self-motivation to accelerate their transition into Work Readiness classes or the Exceptional Training Academy.

Exceptional Employment Solutions

Exceptional Employment Solutions (EES) supports adults along each step of their Pathway to Employment. ECF staff work to help participants retain and thrive in community-based employment offering personalized supports that help each participant find a job that matches their individual abilities and goals including: 1) determining employment preferences, strengths, and transportation, 2) job search structuring and strategies, 3) interview preparation and practice, 4) coordinating services with support network, 5) employment transition coaching and on-site job training.

Individualized Pathways Program

The Individualized Pathways Program provides in-depth transitional plans for adults, particularly young adults, to help them access community resources and gain more training and skill development to enter the job market, or engage in community volunteering.

Work Readiness

Through instruction and group learning, participants develop the skills needed to conduct a job search and maintain employment, including: understanding different job opportunities, completing applications, writing a resume, interviewing, professional grooming and hygiene, workplace communication, and personal development and growth. Participants who have successfully completed the Accelerated Preparation Program or individuals who are currently participating in the Exceptional Training Academy or Exceptional Packaging Solutions may also participate in Work Readiness classes.

1. NATURE OF OPERATIONS (continued)

Exceptional Training Academy

The Exceptional Training Academy offers vocational training in computer literacy, culinary arts, janitorial services, retail sales and warehouse operations. Upon successful completion of their training, participants will have learned the skills necessary to help them secure meaningful employment with a community employer.

College Classroom Program

In partnership with educational institutions, ECF provides in-class support to adult students, helping them to complete vocational training courses. The Computer Numerical Control (CNC) course, a machinists program teaches participants to set up and operate CNC machines to produce complex precision parts and tools by cutting, grinding, and drilling into various types of metals and plastics.

Residential Services

Residential Services provide adults with developmental disabilities the opportunity to live in the community with the level of support each person needs to optimize his or her quality of life. ECF operates six different residential facilities, including group homes and independent living centers for individuals located in Los Angeles, Whittier, and Culver City, California. Four of ECF's residential facilities (the "HUD Projects") are funded by the U.S. Department of Housing and Urban Development ("HUD") to benefit people living with developmental disabilities. Permanent financing for the HUD Projects is provided by HUD under Sections 202 and 811 of the National Housing Act, which regulates the HUD Projects with respect to their rents and operating methods. The HUD Projects also receive HUD Sections 8 and 811 housing assistance and project rental assistance payments. The four HUD Projects are as follows:

Valverde
HUD Project No. 122-EH310-WHH-L8
A 12-bed group home in Los Angeles, California.

Westington
HUD Project No. 122-EH151-WHC-L8
A 13-unit apartment complex in Los Angeles, California.

Whittier Springs
HUD Project No. 122-EH157-WHC-L8
A 13-unit apartment complex in Whittier, California.

ERAS Home II
HUD Project No. 122-HD044-WDD-NP
A 6-bed group home in Culver City, California.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income tax status

ECF is comprised of four nonprofit public benefit corporations organized under the laws of California and, as such, are exempt from federal and state income taxes under Internal Revenue Code ("IRC") Section 501(c)(3) and corresponding state provisions.

The federal informational tax returns of Exceptional Children's Foundation, Friends of ECF, Valverde, Inc., and ERAS Home II for tax years ended June 30, 2019, and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the only state tax jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ended June 30, 2018, and subsequent.

Basis of consolidation

The accompanying consolidated financial statements include the accounts of Exceptional Children's Foundation, Friends of ECF, Valverde, Inc., and ERAS Home II and are collectively known as "ECF". All significant inter-agency transactions and balances have been eliminated in consolidation.

Financial statement presentation

ECF reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

- *Net assets without donor restrictions* - Include contributions, fundraising, fees, sales and other forms of revenue that are not restricted by the donor or grantor as well as expenditures related to the general operations of ECF.
- *Net assets without donor restrictions, board-designated endowment* - These amounts include funds set aside from unrestricted funds by the ECF board for operating purposes in future years. The amount currently designated include $1,349,952 allocated to the budget for the fiscal year ending June 30, 2023 to assist operations at the tail end of the COVID Health Pandemic and $322,160 of funds from the proceeds of the sale of a property to relocate ECF programs that reside at the sold property and to provide an enhanced licensed adult program elsewhere.
- *Net assets without donor restrictions, board-designated endowment* - Include unrestricted net assets ECF's Board of Directors has segregated to be used for capital improvements, purchases, future projects and operations.
- *Net assets without donor restrictions, designated for existing land and building* - Include unrestricted net assets designated for land and buildings in use, net of accumulated depreciation and debt secured by the land and building.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Net assets with donor restrictions* - Include contributions that are restricted by the donor or grantor either by purpose or by time. When the restrictions expire, the net assets of this classification are reclassified to unrestricted net assets.

Use of estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and cash equivalents

ECF considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents, except for certain money market account balances included in investments (see Note 4).

Cash held-in-trust

ECF maintains bank accounts, segregated from ECF's assets, for cash held-in-trust for clients. At June 30, 2022, the amount of such funds held-in-trust totaled $25,360 and is included in cash and cash equivalents in the accompanying consolidated statement of financial position. Balances in such accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to the applicable limits.

Restricted cash

ECF has $452,728 of cash restricted for the following purposes:

- $121,263 which represents remaining proceeds from the New Markets notes payable to be used for costs in connection with land and building constructed with the funds (see Note 13).
- $331,465 which is restricted for Replacement Reserve and Residual Receipt Reserves in relation to the HUD projects ECF manages (See Note 5).

Investments

Investments are monitored by the Board of Directors' Investment Committee and are stated at fair value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized immediately upon sale and are computed using the specific identification method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

The Board of Directors has limited the use of investments such that investment principal cannot be used unless approved by a vote of 75% of the Board of Directors in attendance in person or telephonically.

Accounts receivable

Accounts receivable are unsecured and ECF is at-risk to the extent such amounts become uncollectible. Management anticipates it will collect 100% of the accounts receivable balance. Thus, no allowance for doubtful accounts has been established as of June 30, 2022.

Pledges receivable

The pledges receivable balance consists of unconditional promises to give monetary assets to ECF. Management anticipates it will collect 100% of the pledges receivable balance; thus, no allowance for potentially uncollectible pledges has been established as of June 30, 2022.

Inventory

Inventory consists of paper products and is stated at cost (first-in, first-out), which approximates fair value.

Fixed assets

Purchases of fixed assets are recorded at cost. Donated items are recorded at estimated fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset or, for leasehold improvements, the term of the lease, as follows:

Land improvements	40 years
Buildings and leasehold improvements	10 - 40 years
Computer equipment	5 - 7 years
Transportation equipment	5 - 7 years
Furniture and fixtures	3 - 5 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by ECF during the year ended June 30, 2022.

Debt issuance costs

Debt issuance costs include loan fees, legal costs and other costs incurred in obtaining financing. Debt issuance costs are recorded as a deduction to the carrying amount of the related debt and amortized over the term of the debt on a straight-line basis. Debt issuance costs amortization expense is included in interest expense on the consolidated statement of activities.

Endowment investments

Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Change in accounting principle

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases transparency of contributed nonfinancial assets for non-for-profit entities through enhancements to presentation and disclosure. The core principle of the new guidance is that contributed non-financial assets are required to be a separate line on the statement of activities and non-for-profit entities must have additional disclosures on how the non-financial assets are valued as well as how they were utilized. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021. The Organization adopted ASU 2020-07 with a date of the initial application of July 1, 2021, using the retrospective method.

The adoption of ASU 2020-07 did not have a significant impact on ECF's disclosures as it does not have any material in-kind contributions.

Revenue recognition

ECF recognizes revenue from tuition fees, NPS revenues, and DMH revenues during the year in which the related services are provided to its clients. The performance obligation of delivering educational and developmental services is simultaneously received and consumed by the clients; therefore, the revenue is recognized when provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

ECF recognizes revenue from contract sales when the related janitorial services are provided to the businesses it is contracted with. The performance obligation of providing janitorial services is simultaneously received and consumed by the businesses; therefore, the revenue is recognized when provided.

Contributions

Contributions consist primarily of donations from foundations, businesses and the general public. Contributions received are reported as net assets with or without donor restrictions, depending upon donor restrictions, if any.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the donor-imposed barriers have been met and there is no longer a right of return or release. No allowance for doubtful contributions receivable was deemed necessary for the years ended June 30, 2022.

Wills and trusts

In the past, ECF has been named as a beneficiary in a substantial number of wills and trusts. These contributions are recorded when estate proceeds become a liability of the estate and ECF has been so notified. Contributions in the form of irrevocable charitable remainder trusts are recognized when the trusts are established and ECF is named irrevocably as a beneficiary.

Functional expenses

ECF allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Expenses that are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis.

Concentration of risk

Occasionally ECF's cash balances exceed FDIC-insured limits. ECF has not experienced and does not anticipate any losses related to these balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of risk (continued)

ECF's funding primarily consists of revenues earned from California's Department of Developmental Services and are distributed via the state's system of Regional Centers. The Organization serves individuals associated with six Regional Centers. Revenues from five of these Centers accounted for 70% of tuition and fee revenue for the year ended June 30, 2022. Four Regional Centers accounted for 65% of accounts receivable at June 30, 2022.

Subsequent events

ECF has evaluated events subsequent to June 30, 2022, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through December 19, 2022, the date the consolidated financial statements were available to be issued. No other subsequent events have occurred that would have a material impact on the presentation of ECF's financial statements, except as disclosed in Note 6.

3. LIQUIDITY AND AVAILABILITY

Liquidity of financial assets as of June 30, 2022 is as follows:

Financial assets	
Cash	$ 701,467
Investments	8,696,602
Accounts receivable	3,557,755
Pledges receivable	10,000
	12,965,824
Less purpose-restricted amounts unavailable for general expenditures within one year:	
Donor-restricted net assets (Note 11)	(659,051)
Board-designated endowment funds	7,238,269
	6,579,218
	$ 19,545,042

4. INVESTMENTS

ECF reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

4. INVESTMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, ECF's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair Value
Equities	$ 4,673,164	$ -	$ -	$ 4,673,164
Mutual funds	8,915,140	-	-	8,915,140
Corporate bonds	-	1,030,000	-	1,030,000
U.S. government obligations	-	2,033,849	-	2,033,849
Money market accounts	484,503	-	-	484,503
U.S. government-agency obligations	-	73,768	-	73,768
	$ 14,072,807	$ 3,137,617	$ -	$ 17,210,424

Investments are reported on the consolidated statement of financial position as follows:

Investments	$ 8,696,602
Endowment investments	8,513,822
	$ 17,210,424

5. RESTRICTED DEPOSITS AND FUNDED RESERVES

Restricted deposits and funded reserves are detailed as follows:

Replacement Reserves: The HUD Projects are required to make monthly deposits to replacement reserves totaling $1,710 per month. In accordance with provisions of the regulatory agreements, the replacement reserves are to be used for the replacement of fixed assets with the prior approval of HUD.	$ 220,747
Residual Receipts Reserves: The HUD Projects are required to make annual deposits to the extent of their "surplus cash," as defined by HUD. In accordance with provisions of the regulatory agreements with HUD, the residual receipts reserve is to be used for major expenditures of the HUD Projects with the prior approval of HUD.	99,781
Tenant Security Deposits: The HUD Projects are required to maintain separate cash accounts for tenants' rental security deposits.	10,937
	$ 331,465

6. PROPERTY HELD FOR SALE

In September 2021, ECF finalized the sale of vacant land in Culver City, California for $599,947 in cash to a third party. ECF recognized a $76,051 gain on this sale and is included in other income on the statement of activities.

In July 2022, ECF sold its S. Mark Taper building in Los Angeles, California for $4,238,886 in cash to a third party, which resulted in ECF recognizing a $4,172,818 gain on the sale.

7. FIXED ASSETS

Fixed assets consisted of the following:

Buildings and improvements	$ 21,291,492
Land improvements	9,583,266
Furniture and fixtures	4,126,419
Computer equipment	2,017,799
Transportation equipment	1,409,764
Construction-in-progress	635,551
Leasehold improvements	566,964
	39,631,255
Accumulated depreciation and amortization	(19,356,518)
	$ 20,274,737

8. REVOLVING LINE OF CREDIT

ECF has a $4,000,000 revolving line of credit with Merrill Lynch Private Finance, Inc., with monthly payments of interest-only at the 1-month London InterBank Offered Rate ("LIBOR") (1.4% at June 30, 2022) plus 1.25%. In December 2021, the Foundation increased their revolving line of credit to $9,900,000. This revolving line is secured by ECF's securities, cash and other assets held in a Merrill Lynch Trust Company account and is available for as long as ECF maintains sufficient investments in this account. The revolving line of credit agreement remains in effect as long as ECF maintains its investments at Merrill Lynch Private Finance, Inc. The revolving line of credit agreement contains various covenants including a requirement to maintain ECF's Merrill Lynch Trust Company account at a sufficient value to cover the outstanding balance. At June 30, 2022, $2,700,889 was outstanding on this revolving line of credit and ECF was in compliance with these covenants.

9. LONG-TERM DEBT

Long-term debts are detailed as follows:

Note payable to HUD, secured by a first deed of trust on the Valverde 12-bed group home for the developmentally disabled, with living quarters for the site manager, payable in monthly installments of $4,501, including interest at 9.25%, through June 2026.	$	179,983
Note payable to HUD, secured by a first deed of trust on the Westington 13-unit apartment complex for the developmentally disabled, payable in monthly installments of $5,716, including interest at 9.25%, through March 2024.		110,398
Note payable to HUD, secured by a first deed of trust on the Whittier Springs 13-unit apartment complex for the developmentally disabled, payable in monthly installments of $5,988, including interest at 9.25%, through May 2024.		125,715
Capital advance from HUD, secured by a first deed of trust on the ERAS Home II 6-bed group home for the developmentally disabled, noninterest-bearing, with no payment due as long as ECF continues to provide housing to the developmentally disabled through September 2037.		404,900
		820,996
Current portion		(162,752)
	$	658,244

The future maturities of the long-term debt are as follows:

Year ending June 30,		
2023	$	162,752
2024		155,108
2025		46,883
2026		51,352
2027		404,900
	$	820,995

The monthly installment payments for the three notes payable to HUD (described above) are withheld by HUD from the monthly Section 8 vouchers payable by HUD to ECF (see Note 15).

10. LOAN PAYABLE (PAYCHECK PROTECTION PROGRAM)

On April 28, 2020, the Organization received loan proceeds of $3,858,750 from a promissory note issued by a financial institution under the Paycheck Protection Program ("PPP") established under the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered by the U.S. Small Business Administration. The term of the loan is five years, and the annual interest rate is 1.00%. Payments of principal and interest are deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all, or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations.

In August 2021, the Organization received notification that the SBA had approved the forgiveness of its PPP loan. The total debt forgiveness of $3,858,750 was recognized as forgiveness of Paycheck Protection Program loan on the statement of activities.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	Released from Restriction	Balance, June 30, 2022
Subject to expenditure for specified purpose:		
Exceptional Works	$ (84,881)	$ 372,245
Developmental	-	103,290
KEC School and related programs	(420,693)	95,221
Early Start Program	(235,289)	71,295
Art Centers	(17,102)	12,500
Exceptional Employment Solutions	(3,000)	4,500
	(760,965)	659,051
Subject to passage of time	(184,750)	10,000
Subject to spending policy and appropriation: Investments in perpetuity (including amounts above original gift amount of $1,000,000), the income from which is expendable to support	(50,000)	1,275,553
	$ (995,715)	$ 1,944,604

12. ENDOWMENT

ECF's endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments.

12. ENDOWMENT (continued)

Interpretation of relevant law

The ECF's Board of Directors has interpreted California Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. The remaining portion of the donor-restricted endowment fund is classified as with donor restriction until those amounts are appropriated for expenditure in a manner consistent with the standard prudence prescribed by UPMIFA.

In accordance with UPMIFA, ECF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income (loss) and the appreciation (depreciation) of investments

(6) Other resources of ECF

(7) The investment policies of ECF

Return objectives and risk parameters

ECF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as Board-designated funds. Under this policy, as reviewed and monitored by the Investment Committee and approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that do not under-perform the price and yield results of a blended benchmark of broad based equity and fixed income indices. Actual returns in any given year may vary from this amount.

12. ENDOWMENT (continued)

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, ECF uses the total return methodology in which investment returns are achieved through either capital appreciation (realized and unrealized) or current yield (interest and dividends). ECF has a diversified asset allocation policy that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how investment objectives relate to spending policy

Through the budget process, ECF each year appropriates a stated amount, not to exceed 5% of the average Board-designated endowment balance, for operations and capital needs. Additional distributions can be made only with Board approval. ECF understands the current spending policy may reduce its Board-designated endowment to the extent spending exceeds earnings in any period. From its donor-restricted endowment, ECF may spend a discretionary portion of its annual current earnings, not to exceed 5% per year on a cumulative basis. In establishing this policy, ECF considers the long-term expected return on its endowment. ECF is required to maintain the initial $1,000,000 principal balance in its donor-restricted endowment assets. ECF appropriated $150,000 to be transferred to operations during the fiscal year ended June 30, 2022.

Endowment net asset composition by type of fund

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 1,000,000	$ 1,000,000
Unexpended endowment earnings	-	275,553	275,553
Board-designated endowment funds	7,238,269	-	7,238,269
	$ 7,238,269	$ 1,275,553	$ 8,513,822

12. ENDOWMENT (continued)

Endowment net asset composition by type of fund (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	$ 8,634,935	$ 1,549,221	$ 10,184,156
Investment return			
Investment income, net of fees	128,979	23,141	152,120
Realized and unrealized losses	(1,375,645)	(246,809)	(1,622,454)
Total investment return	(1,246,666)	(223,668)	(1,470,334)
Amounts appropriated for expenditures during the year for operational and capital expenses	(150,000)	(50,000)	(200,000)
	(1,396,666)	(273,668)	(1,670,334)
Balance, end of year	$ 7,238,269	$ 1,275,553	$ 8,513,822

Of the $8,513,822 endowment balance above, the board has voted to use the 5% allocation as part of ECF operations in the fiscal year ending June 30, 2023.

13. NEW MARKETS TAX CREDIT TRANSACTION

Effective January 29, 2016, ECF entered into an IRC Section 45D New Markets Tax Credit ("NMTC") transaction in connection with its new land and building. Elements of the transaction were as follows:

- ECF formed a new California tax-exempt nonprofit corporation, Friends of Exceptional Children's Foundation ("FOECF").
- ECF made a contribution to FOECF totaling $5,335,875.
- FOECF lent $5,335,875 to an entity formed by the NMTC Investor Community Development Entity (the "CDE"), as contemplated by IRC Section 45D, with interest-only payments at 1% through January 2023, at which time it will require quarterly payments $109,565, including interest at 1%, until its final maturity in January 2036.
- The CDE advanced two notes to ECF to operate a "Portion of Business" in the new land and building:
    - Note A in the amount of $5,335,875, with interest-only payments at 1.4283% through January 2023, at which time it will require quarterly payments $112,617, including interest at 1.4283%, until its final maturity in January 2036.

13. NEW MARKETS TAX CREDIT TRANSACTION (continued)

  - Note B in the amount of $2,259,125, with interest-only payments at 1.4283% through January 2023, at which time it will require quarterly payments $47,680, including interest at 1.4283%, until its final maturity in January 2036.

- ECF incurred debt issuance costs in connection with Notes A and B. The unamortized portion of the debt issuance costs have been reported on the consolidated statement of financial position as a reduction of the New Markets notes payable liability. Amortization totaling $28,488 was recognized during the year as a component of interest expense.

- At the end of the 7-year tax credit compliance period, ECF anticipates it will recognize a gain of approximately $2,100,000 as the new markets note receivable and notes payable are terminated.

The new markets notes payable consists of the following as of June 30, 2022:

Note A	$ 5,335,875
Note B	2,259,125
	7,595,000
Debt issuance costs	(16,618)
	$ 7,578,382

14. EMPLOYEE BENEFIT PLANS

ECF offers IRC Sections 403(b) and 401(k) individual defined contribution plans for all eligible employees. The 401(k) plan is open to all employees. Participants may make salary deferrals to their individual accounts up to the maximum allowable deferral amounts for defined contribution plans. ECF matches at its discretion up to 1% of the eligible employee salary. Employer contributions to the plan totaled $121,264 for the year ended June 30, 2022.

The 403(b) plan is a non-ERISA plan designed for highly compensated employees. Participants may make annual contributions up to the maximum allowable deferral amount for defined contribution plans. ECF may make discretionary matching contributions to the 403(b) plan for eligible employees. No discretionary contributions were made during or accrued for the year ended June 30, 2022.

15. COMMITMENTS AND CONTINGENCIES

Lease commitments

ECF leases facilities and equipment under several long-term operating lease agreements.

15. COMMITMENTS AND CONTINGENCIES (continued)

Lease commitments (continued)

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,		
2023	$	504,500
2024		180,315
2025		57,351
2026		35,575
2027		35,575
Thereafter		11,858
	$	825,174

Rent expense, comprised of facilities, equipment, buses and uniforms totaled $325,721 for the year.

HUD Section 8 Housing Assistance Payments Contracts, Section 811 Project Rental Assistance Contract

Each of the HUD Projects has entered into either a Section 8 Housing Assistance Payments ("HAP") Contract or a Section 811 Project Rental Assistance Contract ("PRAC"). The amount earned under the three HAP contracts totaled $496,143 for the year. The amount earned under the PRAC contract totaled $17,064 for the year.

These contracts provide for a maximum annual rent supplement payment by HUD to the HUD Projects. This maximum annual rent supplement payment is subject to adjustment if there is any change in contract rent, number of contract units or family income of the tenant.

Congress has determined not to renew HAP contracts on a long-term basis. Future renewals of terminating HAP contracts will generally be for a period of one to five years and will tend to be at or below comparable market rate rents in the HUD Projects' areas. It cannot be determined what ultimate effect this may have on the HUD Projects' future rental revenue and operations.

Contingent promissory note

ECF had a conditional noninterest bearing promissory note payable to the State of California Department of Housing and Community Development ("CA HCD"), secured by the real estate of ERAS Home I. The terms of the note agreement required ECF to provide housing to the developmentally disabled. For as long as ECF complies with the provisions of its regulatory agreement with CA HCD, the remaining principal was amortized at the rate of $20,000 annually until reduced to $0 during 2012, at which time the mortgage lien was to be released with no payments of principal or interest required. Management is seeking confirmation of the transfer of clear title to ECF from CA HCD.

15. COMMITMENTS AND CONTINGENCIES (continued)

Litigation

ECF is currently, and in the future may become, involved in legal proceedings arising in the ordinary course of its business. ECF is currently a defendant in a lawsuit which could result in some liability exposure. The scope of potential liability cannot currently be determined; however, ECF management expects ECF's liability insurance coverage to assume and defray a majority of this litigation exposure.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Exceptional Children's Foundation and Affiliates
Culver City, California

We have audited the consolidated financial statements of Exceptional Children's Foundation and Affiliates (collectively, "ECF"), as of and for the year ended June 30, 2022, and have issued our report thereon dated December 19, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The New Markets Tax Credit Portion of Business Schedules of ECF are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with accounting principles generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Armanino LLP

Armanino LLP
Los Angeles, California

December 19, 2022

Exceptional Children's Foundation and Affiliates
Consolidating Statement of Financial Position
June 30, 2022

	NMTC Portion of Business Activity	Legacy ECF Activity	Eliminations	Total ECF	Friends of ECF	Eliminations	Consolidated Total
ASSETS							
Cash and cash equivalents	$ -	$ 459,006	$ -	$ 459,006	$ 242,461	$ -	$ 701,467
Investments	-	8,696,602	-	8,696,602	-	-	8,696,602
Accounts receivable	-	3,557,755	-	3,557,755	-	-	3,557,755
Pledges receivable	-	10,000	-	10,000	-	-	10,000
Inventory	-	130,211	-	130,211	-	-	130,211
Prepaid expenses and other current assets	-	300,818	-	300,818	-	-	300,818
Endowment investments	-	8,513,822	-	8,513,822	-	-	8,513,822
Restricted cash	121,263	-	-	121,263	-	-	121,263
Restricted deposits and funded reserves	-	331,465	-	331,465	-	-	331,465
Security deposits	-	51,771	-	51,771	-	-	51,771
Fixed assets, net	9,895,614	10,388,510	-	20,284,124	-	-	20,284,124
Property held for sale	-	66,067	-	66,067	-	-	66,067
New Markets note receivable	-	-	-	-	5,335,875	-	5,335,875
Total assets	$ 10,016,877	$ 32,506,027	$ -	$ 42,522,904	$ 5,578,336	$ -	$ 48,101,240

Exceptional Children's Foundation and Affiliates
Consolidating Statement of Financial Position
June 30, 2022

	NMTC Portion of Business Activity	Legacy ECF Activity	Eliminations	Total ECF	Friends of ECF	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS							
Revolving line of credit	$ -	$ 2,700,889	$ -	$ 2,700,889	$ -	$ -	$ 2,700,889
Current portion of long-term debt (HUD)	-	162,752	-	162,752	-	-	162,752
Intercompany ECF/FOECF	-	99,730	-	99,730	(99,730)	-	-
Intercompany NMTC/Legacy	1,428,991	(1,428,991)	-	-	-	-	-
Accounts payable and accrued expenses	-	2,725,111	-	2,725,111	850	-	2,725,961
Long-term debt, net of current portion (HUD)	-	658,244	-	658,244	-	-	658,244
New Markets notes payable, net of unamortized debt issuance costs	7,578,382	-	-	7,578,382	-	-	7,578,382
Total liabilities	9,007,373	4,917,735	-	13,925,108	(98,880)	-	13,826,228
Net assets	1,009,504	27,588,292	-	28,597,796	5,677,216	-	34,275,012
Total liabilities and net assets	$ 10,016,877	$ 32,506,027	$ -	$ 42,522,904	$ 5,578,336	$ -	$ 48,101,240

Exceptional Children's Foundation and Affiliates
Consolidating Statement of Activities
For The Year Ended June 30, 2022

	NMTC Portion of Business Activity	Legacy ECF Activity	Eliminations	Total ECF	Friends of ECF	Eliminations	Consolidated Total
Revenues and support							
Public support							
Contributions	$ 29,375	$ 1,375,721	$ -	$ 1,405,096	$ -	$ -	$ 1,405,096
Fundraising events	-	677,699	-	677,699	-	-	677,699
Less: direct benefit to donor	-	(155,061)	-	(155,061)	-	-	(155,061)
Total public support	29,375	1,898,359	-	1,927,734	-	-	1,927,734
Revenues							
Tuition and fees	3,527,233	10,031,165	-	13,558,398	-	-	13,558,398
NPS Revenues	-	4,344,421	-	4,344,421	-	-	4,344,421
DMH revenues	-	1,609,737	-	1,609,737	-	-	1,609,737
Contract sales	1,797,219	-	-	1,797,219	-	-	1,797,219
Rents	42,000	799,656	-	841,656	-	-	841,656
Merchandise sales	-	45,091	-	45,091	-	-	45,091
Total revenues	5,366,452	16,830,070	-	22,196,522	-	-	22,196,522
Total revenues and support	5,395,827	18,728,429	-	24,124,256	-	-	24,124,256

Exceptional Children's Foundation and Affiliates
Consolidating Statement of Activities
For The Year Ended June 30, 2022

	NMTC Portion of Business Activity	Legacy ECF Activity	Eliminations	Total ECF	Friends of ECF	Eliminations	Consolidated Total
Functional expenses							
Program services	5,053,603	17,918,999	-	22,972,602	-	-	22,972,602
Management and general	821,944	2,388,706	-	3,210,650	132	-	3,210,782
Fundraising	-	952,215	-	952,215	-	-	952,215
Total functional expenses	5,875,547	21,259,920	-	27,135,467	132	-	27,135,599
Change in net assets from operations	(479,720)	(2,531,491)	-	(3,011,211)	(132)	-	(3,011,343)
Investment results							
Forgiveness of Paycheck Protection Program loan	-	3,858,750	-	3,858,750	-	-	3,858,750
Interest and dividends, net of fees	-	304,043	-	304,043	53,379	-	357,422
Unrealized gains on investments	-	160,712	-	160,712	-	-	160,712
Realized and unrealized losses on investments, net	-	(3,241,842)	-	(3,241,842)	-	-	(3,241,842)
Total investment results	-	1,081,663	-	1,081,663	53,379	-	1,135,042
Change in net assets	$ (479,720)	$ (1,449,828)	$ -	$ (1,929,548)	$ 53,247	$ -	$ (1,876,301)