

CHILDREN'S ALLIANCE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021)



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**CHILDREN'S ALLIANCE
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(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Alliance
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Children's Alliance, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Alliance as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Alliance's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Children's Alliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Alliance'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.

Board of Directors
Children's Alliance

Report on Summarized Comparative Information

We have previously audited Children's Alliance's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
February 13, 2023

CHILDREN'S ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,199,362	\$ 1,105,563
Pledges and Grants Receivable, Net of Allowance	123,500	244,819
Contracts and Other Receivables	500	-
Prepaid Expenses and Deposits	7,567	14,119
Total Current Assets	1,330,929	1,364,501
FIXED ASSETS		
Furniture and Equipment	32,544	31,001
Capital Leases	27,222	27,222
Less: Accumulated Depreciation and Amortization	(36,982)	(25,017)
Total Fixed Assets	22,784	33,206
OTHER NONCURRENT ASSETS		
Pledges and Grants Receivable, Net of Current Portion	-	100,000
Total Noncurrent Assets	-	100,000
 Total Assets	 \$ 1,353,713	 \$ 1,497,707
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 12,871	\$ 44,179
Payroll Taxes and Benefits Payable	657	739
Accrued Vacation Payable	34,528	30,000
Total Current Liabilities	48,056	74,918
NONCURRENT LIABILITIES		
Note Payable	-	103,532
Capital Lease Payable	16,334	21,778
Total Liabilities	64,390	200,228
NET ASSETS		
Without Donor Restrictions	873,930	461,479
With Donor Restrictions	415,393	836,000
Total Net Assets	1,289,323	1,297,479
 Total Liabilities and Net Assets	 \$ 1,353,713	 \$ 1,497,707

See accompanying Notes to Financial Statements.

CHILDREN'S ALLIANCE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
REVENUE, SUPPORT, AND GAINS				
Event Revenue	\$ 156,950	\$ -	\$ 156,950	\$ 81,275
Grants, Corporate and Foundation Contributions	435,147	219,193	654,340	1,235,000
Organizational Membership Dues	163,238	-	163,238	141,257
Paycheck Protection Program Loan Forgiveness	36,614	-	36,614	22,562
Other Income	103,532	-	103,532	202,640
Net Assets Released from Restrictions	656	-	656	2,126
	639,800	(639,800)	-	-
Total Revenue, Support, and Gains	<u>1,535,937</u>	<u>(420,607)</u>	<u>1,115,330</u>	<u>1,684,860</u>
EXPENSES				
Program Services	614,631	-	614,631	814,177
Administration	304,356	-	304,356	279,965
Fundraising	204,500	-	204,500	177,190
Total Expenses	<u>1,123,486</u>	<u>-</u>	<u>1,123,486</u>	<u>1,271,332</u>
CHANGE IN NET ASSETS	412,451	(420,607)	(8,156)	413,528
Net Assets - Beginning of Year	<u>461,479</u>	<u>836,000</u>	<u>1,297,479</u>	<u>883,951</u>
NET ASSETS - END OF YEAR	<u>\$ 873,930</u>	<u>\$ 415,393</u>	<u>\$ 1,289,323</u>	<u>\$ 1,297,479</u>

See accompanying Notes to Financial Statements.

CHILDREN'S ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	Program	Support Services		Total	Total
	Services	Administration	Fundraising	2022	2021
Salaries and Wages	\$ 399,538	\$ 165,399	\$ 142,074	\$ 707,011	\$ 653,268
Payroll Taxes	35,754	15,884	12,128	63,766	56,614
Employee Benefits	40,897	17,938	13,173	72,008	57,447
Total Salaries and Related Expenses	476,189	199,221	167,375	842,785	767,329
Staff Travel	484	2,380	-	2,864	287
Telephone and Communication	-	1,432	-	1,432	5,011
Information Technology	1,255	31,535	15	32,805	31,515
Printing	-	1,258	5,217	6,475	1,365
Postage	182	1,477	1,105	2,764	678
Rent and Utilities, Net	-	3,040	-	3,040	54,220
Contract Services	129,916	3,017	-	132,933	348,041
Professional Fees	1,713	21,823	26,686	50,221	22,333
Supplies	836	2,853	206	3,895	2,115
Dues and Subscriptions	158	4,532	-	4,690	3,735
Conferences, Events and Meetings	-	1,713	1,697	3,410	266
Staff Training	2,367	6,581	69	9,017	458
Advertising	-	2,707	-	2,707	1,420
Insurance and Bonding	-	11,284	-	11,284	11,654
Depreciation and Amortization	1,531	9,234	1,200	11,965	14,511
Other Expenses	-	269	930	1,199	6,394
Total Expenses by Function	\$ 614,631	\$ 304,356	\$ 204,500	\$ 1,123,486	\$ 1,271,332

See accompanying Notes to Financial Statements.

CHILDREN'S ALLIANCE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (8,156)	\$ 413,528
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	11,965	14,511
Paycheck Protection Program Loan Forgiveness	(103,532)	(202,640)
Changes in Operating Assets and Liabilities:		
Contracts and Other Receivables	(500)	6,180
Pledges and Grants Receivable, Net	221,319	177,977
Prepaid Expenses and Deposits	6,552	7,452
Accounts Payable	(31,308)	(84,075)
Payroll Taxes and Benefits Payable	(82)	(2,179)
Lease Payable	(5,444)	(5,444)
Accrued Vacation Payable	4,528	-
Net Cash Provided by Operating Activities	95,342	325,310
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	(1,543)	(4,611)
Net Cash Used by Investing Activities	(1,543)	(4,611)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program Loan Proceeds	-	103,532
Net Cash Provided by Financing Activities	-	103,532
NET INCREASE IN CASH AND CASH EQUIVALENTS	93,799	424,231
Cash and Cash Equivalents - Beginning of Year	1,105,563	681,332
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,199,362	\$ 1,105,563

See accompanying Notes to Financial Statements.

**CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Children's Alliance (the Alliance) is a Washington nonprofit corporation whose purpose is to advance fair and just public policy for children and families in the state of Washington. To this end, the Alliance works collaboratively to promote the development and preservation of laws, policies, and programs that support children and families, and to promote awareness of the needs and circumstances of children.

Basis of Accounting

The financial statements of the Alliance have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Alliance considers highly liquid investments with maturities of three months or less to be cash equivalents.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible accounts by adjustment to a valuation allowance based on its assessment of the current status of individual receivables from pledges and grants. The allowance is an estimate based on past experience. It is the Alliance's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Purchases and improvements over \$500 are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over estimated lives of 3 to 5 years. Leasehold improvements are amortized over the remaining term of the lease (see Note 8).

In-Kind Donations

In-kind donations are recorded at their estimated fair market values at the date of donation.

The Alliance recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation.

CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Totals

The financial information includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries are allocated based on the time estimated to have been devoted to each service. Other expenses are allocated on the basis of specific identification and on the basis of the allocated salaries.

CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expenses (Continued)

The services are defined as follows:

Program Services – Expenses incurred in carrying on activities, conferences, and programs.

Administration – Expenses associated with the overall direction of the organization, the provision of accounting services, and office and systems support.

Fundraising – Expenses associated with solicitation of operating funds from individuals and organizations, and related record keeping.

Income Tax

The Alliance is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3). It is not a private foundation within the meaning of Section 509(a) of the IRC because it is an organization described in Sections 509(a)(1) and 170(b)(1)(A)(vi). The Alliance's income tax filings are subject to examination by various taxing authorities. The Alliance believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give at June 30, 2022.

Subsequent Events

We have evaluated subsequent events through February 13, 2023, the date the financial statements were available to be issued, and have determined that there are no material subsequent events that require recognition or additional disclosure.

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*. This standard requires that contributed nonfinancial assets are reported on a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions and valuation techniques. The adoption of this standard did not have any significant impact on the accompanying financial statements or disclosures.

**CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Standards

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (Topic 842) requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. The standard will not be effective for the Organization until the year ending December 31, 2022. Management is currently in the process of evaluating the impact.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 1,199,362
Pledges and Grants Receivable	123,500
Less: Donor Restricted Funds	<u>(415,393)</u>
Total	<u><u>\$ 907,469</u></u>

As part of the Alliance's liquidity management plan, the Alliance invests cash in excess of daily requirements in money market funds.

NOTE 3 NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the passage of time specified by the donor. Releases for restricted purposes were \$441,000 and those for the passage of time were \$198,800 for the year ended June 30, 2022. At June 30, 2022, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to the Passage of Time:	
General Operations Support	\$ 200,000
Subject to the Purpose:	
Program Activities (Early Learning, Health, Other)	<u>215,393</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 415,393</u></u>

CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 PLEDGES AND GRANTS RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. Pledges and grants, both with and without donor restrictions, expected to be collected within one year, are recorded at their net realizable value and are shown net of an allowance for doubtful accounts of \$4,000 at June 30, 2022. Pledges and grants that are expected to be collected in greater than one year are recorded at the present value of estimated cash flows, which approximates fair value. No discount was recorded in the current fiscal year, as the amount was immaterial.

Pledges and grants receivable are expected to be realized in the following time frame:

Less than One Year	\$ 127,500
Less: Allowance for Doubtful Accounts	<u>(4,000)</u>
Total	<u><u>\$ 123,500</u></u>

NOTE 5 PENSION PLAN

The Alliance maintains a simplified employee pension plan covering all permanent employees. The employer contributes to the pension plan within the limits of available funds. No contributions were made during the year ended June 30, 2022.

NOTE 6 CONCENTRATIONS OF RISK

The Alliance maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. At June 30, 2022, there was no cash in excess of insured limits. The Alliance has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

In fiscal year 2022, total awards from five grantors represented 45% of revenue and support.

**CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 PAYROLL PROTECTION PROGRAM

On April 5, 2020, the Alliance was awarded a loan of \$202,640 under the U.S. Small Business Administration's Paycheck Protection Program (PPP). A loan restriction required the Alliance to use at least 60% of the funds for payroll expenses and the remaining amount for designated overhead expenses within a designated period of time. The loan was forgiven on June 21, 2021, and the Alliance recorded the entire amount as revenue as of June 30, 2021.

The U.S. Small Business Administration may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Alliance's financial position.

On April 28, 2021, the Alliance received a second loan from KeyBank in the amount of \$103,532 to fund payroll through the Paycheck Protection Program. The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Alliance fails to apply for forgiveness within 10 months, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The loan was forgiven on October 27, 2021, and the Alliance recorded the entire amount as revenue as of June 30, 2022.

NOTE 8 LEASES

The Alliance leased office space in Seattle with a current base rate of \$11,539 per month and a pro rata share of operating expenses of the building. The lease term expired in September 2020. The Alliance also paid rent for monthly parking based on the number of stalls rented. The Alliance had a security deposit with the lessor of \$11,000. As of September 30, 2020, the Alliance was no longer renting a physical building or paying for parking.

The Alliance leases equipment at \$454 per month. The lease expires June 2025.

Total rental expenses for these leases in fiscal year 2022 were \$4,096. Future minimum payments under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 5,444
2024	5,444
2025	5,444
Total	<u>\$ 16,332</u>

CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for the Alliance. The amounts, if any, of expenditures which may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, normally upon notification of the granting agency. During the year ended June 30, 2022, no such adjustments were made.

NOTE 10 RISKS AND UNCERTAINTIES

The Alliance's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. Multiple jurisdictions in the U.S. have declared a state of emergency, and it is anticipated that resulting impacts will continue for some time. Future impacts may include increased costs due to changes in the operating environment to accommodate the need for social distancing. The future effects of these issues are unknown.



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