



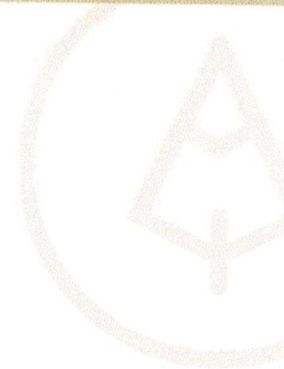
FINANCIAL STATEMENTS

DECEMBER 31, 2021

WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

CONTENTS

Independent Auditors' Report	1-3
Financial Statements:	
Statements of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses.....	6
Statements of Cash Flows	7
Notes to the Financial Statements	8-17
Supplementary Information:	
Schedule of Expenditures of Federal and State Awards.....	18
Notes to Schedule of Federal and State Awards.....	19
Combining Statement of Activities	20
Reconciliation of Organization's Fiscal Year Ended December 31, 2021 with Child Development (CD) Program's Fiscal Year Ended June 30, 2021	21
Schedule of Expenditures by State Categories	22
Schedule of Reimbursable Equipment Expenditures.....	23
Schedule of Reimbursable Expenditures for Renovations and Repairs	24
Schedule of Reimbursable Administrative Costs	25
Audited Attendance and Fiscal Reports	
CSPP 0175 – State Preschool Programs	26-33
CCTR 0078 – General Programs	34-41
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.....	42-43
Schedule of Findings and Responses.....	44



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children Today, Inc.:

Opinion

We have audited the accompanying financial statements of Children Today, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children Today, Inc. as of December 31, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children Today, Inc. 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 controls 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 Today, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Today, Inc.'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 Today, Inc.'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 Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 18-44 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Supplementary Information (continued)

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2022, on our consideration of Children Today Inc.'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 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 Children Today Inc.'s internal control over financial reporting and compliance.

Evergreen Alliance

Los Alamitos, California
April 27, 2022

CHILDREN TODAY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	December 31,	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,255,576	\$ 1,169,929
Investments	347,495	--
Accounts receivable	3,407	21,391
Prepaid expenses	7,661	--
Total Current Assets	1,614,139	1,191,320
PROPERTY AND EQUIPMENT, NET	3,973,104	4,061,144
OTHER ASSETS		
Beneficial interest in assets held by others	102,285	92,373
TOTAL ASSETS	\$ 5,689,528	\$ 5,344,837
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 13,423	\$ 3,203
Accrued employee related expenses	38,257	21,649
Deferred revenue	5,000	5,500
Note payable, current portion	23,243	22,112
Total Current Liabilities	79,923	52,464
NON CURRENT LIABILITIES		
Note payable, net of current portion	575,467	598,630
TOTAL LIABILITIES	655,390	651,094
NET ASSETS		
Without donor restrictions		
Board designated for endowment purposes	35,000	35,000
Undesignated	4,849,138	4,512,397
Total without donor restrictions	4,884,138	4,547,397
With donor restrictions	150,000	146,346
TOTAL NET ASSETS	5,034,138	4,693,743
TOTAL LIABILITIES AND NET ASSETS	\$ 5,689,528	\$ 5,344,837

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

CHILDREN TODAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE TOTALS FOR 2020

	Without Donor Restrictions	With Donor Restrictions	<u>December 31,</u>	
			<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT				
Government grants	\$ 763,690	\$ --	\$ 763,690	\$ 689,597
Contributions and grants	506,110	158,000	664,110	673,086
Paycheck Protection Program (PPP) loan forgiveness	173,900	--	173,900	173,900
In-kind contributions	34,405	--	34,405	49,945
Investment income, net	14,883	--	14,883	12,223
Net assets released from restrictions	<u>154,346</u>	<u>(154,346)</u>	<u>--</u>	<u>--</u>
	1,647,334	3,654	1,650,988	1,598,751
SPECIAL EVENTS				
Special events revenue	189,378	--	189,378	24,305
Special events expense	<u>(80,597)</u>	<u>--</u>	<u>(80,597)</u>	<u>(12,668)</u>
	108,781	--	108,781	11,637
TOTAL REVENUE AND SUPPORT	1,756,115	3,654	1,759,769	1,610,388
EXPENSES				
Program services	1,057,137	--	1,057,137	1,047,147
Supporting services:				
Management and general	340,954	--	340,954	269,805
Fundraising	<u>21,283</u>	<u>--</u>	<u>21,283</u>	<u>16,932</u>
TOTAL EXPENSES	<u>1,419,374</u>	<u>--</u>	<u>1,419,374</u>	<u>1,333,884</u>
CHANGE IN NET ASSETS	336,741	3,654	340,395	276,504
NET ASSETS AT BEGINNING OF YEAR	<u>4,547,397</u>	<u>146,346</u>	<u>4,693,743</u>	<u>4,417,239</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,884,138</u>	<u>\$ 150,000</u>	<u>\$ 5,034,138</u>	<u>\$ 4,693,743</u>

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

CHILDREN TODAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE TOTALS FOR 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>December 31,</u>	
				<u>2021</u>	<u>2020</u>
PERSONNEL EXPENSES					
Salaries and wages	\$ 617,491	\$ 197,273	\$ 12,684	\$ 827,448	\$ 735,028
Employee benefits and taxes	<u>86,752</u>	<u>26,874</u>	<u>1,730</u>	<u>115,356</u>	<u>120,903</u>
TOTAL PERSONNEL EXPENSES	704,243	224,147	14,414	942,804	855,931
OTHER EXPENSES					
Advertising and outreach	8,861	--	--	8,861	1,506
Automobile	--	3,062	--	3,062	2,341
Bank and credit card fees	--	2,064	--	2,064	1,453
Depreciation	72,266	22,081	6,022	100,369	118,082
Dues and subscriptions	611	4,846	--	5,457	3,621
Food supplies	21,159	--	--	21,159	18,182
In-kind expense	34,405	--	--	34,405	49,945
Insurance	91,908	14,534	791	107,233	107,812
Interest expense	--	30,959	--	30,959	32,134
Meetings expense	32	2,204	--	2,236	128
Office supplies	2,207	3,795	--	6,002	8,078
Payroll service fees	--	1,983	--	1,983	1,757
Permits and licenses	1,813	434	--	2,247	1,957
Postage and delivery	--	258	--	258	224
Professional fees	--	21,685	--	21,685	28,990
Property taxes	677	207	56	940	2,225
Repairs and maintenance	52,562	2,642	--	55,204	33,197
Staff development	2,633	418	--	3,051	1,042
Supplies	23,247	2,616	--	25,863	17,139
Telephone and internet	5,665	2,480	--	8,145	10,495
Utilities	13,776	529	--	14,305	12,116
Other	<u>21,072</u>	<u>10</u>	<u>--</u>	<u>21,082</u>	<u>25,529</u>
TOTAL OTHER EXPENSES	<u>352,894</u>	<u>116,807</u>	<u>6,869</u>	<u>476,570</u>	<u>477,953</u>
TOTAL EXPENSES	<u>\$ 1,057,137</u>	<u>\$ 340,954</u>	<u>\$ 21,283</u>	<u>\$ 1,419,374</u>	<u>\$ 1,333,884</u>

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

CHILDREN TODAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 340,395	\$ 276,504
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gains on investment	(272)	--
Unrealized loss on investment	3,254	--
Depreciation	100,369	118,082
Change in value of beneficial interest in assets held by others	(9,612)	(11,812)
Paycheck Protection Program (PPP) loan forgiveness	(173,900)	(173,900)
Change in operating assets and liabilities:		
Accounts receivable	17,984	208,718
Prepaid expenses	(7,661)	2,395
Accounts payable and accrued expenses	10,220	(2,098)
Accrued employee related expenses	16,608	(24,419)
Deferred revenue	(500)	500
Net Cash Provided By Operating Activities	296,885	393,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	11,626	--
Purchases of investments	(362,103)	--
Purchases of property and equipment	(12,329)	--
Purchases of beneficial interest in funds held by others	(300)	--
Net Cash Used In Investing Activities	(363,106)	--
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program (PPP) loan	173,900	173,900
Repayments on note payable	(22,032)	(20,859)
Net Cash Provided By Financing Activities	151,868	153,041
NET CHANGE IN CASH AND CASH EQUIVALENTS	85,647	547,011
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,169,929	622,918
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,255,576	\$ 1,169,929
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 30,959	\$ 32,134
Cash paid for income taxes	NONE	NONE
Noncash investing transactions	NONE	NONE
Noncash financing transactions	NONE	NONE

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

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

NOTE 1 – Organization

Organization and Nature of Activities

Children Today, Inc. (the Organization) was founded in 1997 in Long Beach, California. The Organization's mission is to provide community-based services to children and families experiencing homelessness or who are involved in the child welfare system, fostering long-term family stability and success.

The Organization provides no-cost, high quality, early care and education through an eco-friendly and LEED certified facility entitled the Eco House. The Eco House was designed to serve children and advocate on behalf of the families. Since inception, the Organization has reached thousands of children and families in Long Beach, California.

Funding is obtained principally from state and federal government grants for specific programs, as well as from donations and fundraising activities, including a capital campaign to fund building and facility expansion.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation of Financial Statements

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (US GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a full comparison of operations year over year. Accordingly, these comparative financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with an original maturity of three months or less when purchased, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Accounts Receivable

Accounts receivable consist primarily of reimbursements due from governmental agencies under various grants and are stated at the amount that management expects to collect from outstanding balances. Accounts receivable are written off when they are determined to be uncollectible.

Property and Equipment

The Organization's policy is to capitalize asset additions over \$5,000. Property and equipment are stated at cost, with the exception of donated equipment, which is recorded at fair market value on the date received. Depreciation has been provided on the straight-line method over the useful lives of the assets, which are generally five to thirty-nine years. Expenditures for repairs and maintenance are expensed as incurred.

Beneficial Interest in Assets Held by Community Foundation

The Organization's Board of Directors established an endowment fund whereby certain contributions would remain intact. In 2009, the Organization transferred \$35,000 to the Long Beach Community Foundation (LBCF) to establish the Children Today Endowment Fund. The funds are invested in an allocated investment pool. Net income from the fund may be distributed annually to the Organization upon request. The Organization granted LBCF variance power over the funds at the time of the transfer, but since the Organization is a nonprofit organization, who specified themselves as the beneficiary, the Organization may recognize at fair value the beneficial interest in the assets held by LBCF.

Classification of 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 grantor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor or grantor restrictions. Some donor-imposed restrictions are temporary in nature, for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, for example stipulating those resources be maintained in perpetuity. Law may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, laws extend to donor-imposed restrictions. The expirations of donor-imposed restrictions are recognized 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.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

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. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. For the years ended December 31, 2021 and 2020, the Organization did not receive any conditional promises to give.

In-Kind Goods and Services

Contributed goods are recorded at fair value at the date of donation. During the years ended December 31, 2021 and 2020, contributed goods totaled \$34,405 and \$49,945, respectively, and included clothing, supplies, and gift cards to various retail stores that were utilized as part of program services.

In addition, a substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. The donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Advertising and Outreach Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising and outreach costs are charged to operations when incurred, and during the years ended December 31, 2021 and 2020 totaled \$8,861 and \$1,506, respectively.

Income Tax Status

The Organization has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701d, respectively.

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. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

NOTE 2 – Summary of Significant Accounting Policies *(continued)*

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could differ from such estimates and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentrations are managed by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the mission.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires entities to recognize all leased assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for nonpublic business entities for the annual reporting period beginning after December 15, 2021. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 is aimed to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU 2020-07 is effective for nonpublic business entities for the annual reporting period beginning after June 15, 2021. The Organization is in the process of evaluating the impact of this statement and potential effects on the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through April 27, 2022, the date the financial statements were issued for the year ended December 31, 2021. See Note 12

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

NOTE 3 – Liquidity and Availability

Financial assets available to meet general expenditure within one year of as of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,255,576	\$ 1,169,929
Investments	347,495	--
Accounts receivable	3,407	21,391
Beneficial interest in assets held by others	<u>102,285</u>	<u>92,373</u>
	1,708,763	1,283,693
Less: Board-designated quasi-endowment	(35,000)	(35,000)
Less: Donor-restricted funds	<u>(150,000)</u>	<u>(146,346)</u>
Total	<u>\$ 1,523,763</u>	<u>\$ 1,102,347</u>

As part of the Organization’s liquidity management plan, one portion of any operating surplus is maintained in the operating account, and one portion is maintained in an investment account. The investment account is managed following a board-approved investment policy, the objective of which is to increase the return on invested assets while minimizing risk and expenses. This is done through prudent investing and planning, as well as through the maintenance of a diversified portfolio.

NOTE 4 – Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell assets in an orderly transaction in the principal, most advantageous market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the assets, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the assets based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- *Level 1* inputs are quoted prices (unadjusted) in active markets for identical assets that the Organization has the ability to access at the measurement date.
- *Level 2* inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- *Level 3* inputs are unobservable inputs for the asset.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

NOTE 4 – Fair Value Measurements and Disclosures (continued)

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset.

The fair value of the beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 investments. There have been no changes in the methodologies used at December 31, 2021 and 2020.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2021:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Total</u>				
Mutual funds	\$ 226,859	\$ 226,859	\$ --	\$ --
Exchange-traded funds	106,560	106,560	--	--
Better alternative systems	14,076	14,076	--	--
Beneficial interest in assets held by others	<u>102,285</u>	<u>--</u>	<u>--</u>	<u>102,285</u>
	<u>\$ 449,780</u>	<u>\$ 347,495</u>	<u>\$ --</u>	<u>\$ 102,285</u>

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2020:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Total</u>				
Beneficial interest in assets held by others	\$ 92,373	\$ --	\$ --	\$ 92,373

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

NOTE 4 – Fair Value Measurements and Disclosures (continued)

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 92,373	\$ 80,561
Contributions	300	200
Investment income, net	9,759	12,485
Administrative fees	(147)	(873)
Ending balance	<u>\$ 102,285</u>	<u>\$ 92,373</u>

NOTE 5 – Property and Equipment

Property and equipment are summarized as follows at December 31:

	<u>2021</u>	<u>2020</u>
Building	\$ 3,826,023	\$ 3,813,693
Furniture, fixtures and equipment	126,344	126,344
Automobiles	30,470	30,470
	3,982,837	3,970,507
Less: accumulated depreciation	(734,209)	(633,839)
	3,248,628	3,336,668
Land	724,476	724,476
Total	<u>\$ 3,973,104</u>	<u>\$ 4,061,144</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$100,369 and \$118,082, respectively.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

NOTE 6 – Paycheck Protection Program (PPP) Loan Payable

The Organization received loan proceeds in both 2021 and 2020 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. In June 2021 and November 2020, the Organization's applications for forgiveness were approved and the full amount of the PPP loans was recognized on the statement of activities.

While management currently believes that loan forgiveness was based on meeting the eligibility criteria, the Small Business Administration (SBA) reserves the right to re-review loan applications and subsequent forgiveness within six years following the date of loan forgiveness.

NOTE 7 – Note Payable

Note payable consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Note payable; secured by deed of trust on real property; principal and interest payments of \$4,416 are due monthly; final principal payment due October 2038; interest at 5% for ten years, then for the remaining fifteen years interest is calculated at the prime rate plus 2% with a floor of 5% and ceiling of 9%	\$ 598,710	\$ 620,742
Less current portion	(23,243)	(22,112)
Total note payable, net of current portion	<u>\$ 575,467</u>	<u>\$ 598,630</u>

Future maturities are as follows:

For the year ending December 31,

2022	\$ 23,243
2023	24,433
2024	25,683
2025	26,997
2026	28,378
Thereafter	<u>469,976</u>
Total	<u>\$ 598,710</u>

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

NOTE 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Program administration and supplies	\$ 150,000	\$ 146,346

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the year ended December 31:

	<u>2021</u>	<u>2020</u>
Program administration and supplies	\$ 124,363	\$ 235,811
Administrative support and supplies	<u>29,983</u>	<u>--</u>
Total	<u>\$ 154,346</u>	<u>\$ 235,811</u>

NOTE 9 – Concentrations

Contingencies

The Organization has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursements will not be material.

Accounts Receivable

Accounts receivable derived from one government grant made up 100% of accounts receivable at December 31, 2021. Accounts receivable derived from two government grants made up 88% of accounts receivable at December 31, 2020.

Revenue

Revenue provided through programs funded by the California Department of Education, California Department of Social Services, and Head Start made up 46% and 45% of the Organization's total revenue and support for the years ended December 31, 2021 and 2020, respectively.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARY COMPARATIVE INFORMATION FOR 2020

NOTE 10 – Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural and functional classification detail of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, insurance and property taxes, which are allocated on a square footage basis, as well as salaries and wages, employee benefits and taxes, dues and subscriptions, meetings expense, office supplies, permits and licenses, repairs and maintenance, staff development, supplies, telephone and internet, utilities, and other, which are allocated on the basis of estimates of time and effort.

NOTE 11 – Employee Benefits

The Organization sponsors a profit sharing plan (the Plan) qualified under IRC Section 401(k) covering substantially all full-time employees. The Plan provides that employees who have attained the age of 21 and completed one year of service may voluntarily contribute from 0 to 92 percent of their earnings to the Plan, up to the maximum annual contribution allowed by the IRS. During the years ended December 31, 2021 and 2020, the Organization did not offer an employer match program, resulting in zero expense related to the Plan.

NOTE 12 – Subsequent Events

Subsequent to the year ended December 31, 2021, the Organization received notification of threatened litigation related to a personnel matter. Management has provided all pertinent information to the applicable insurance provider. As of the date the financials were issued, the Organization was not in a position to express an opinion with respect to the validity of the claim or estimate the potential financial implication.

NOTE 13 – Economic Uncertainty

Global economies and financial markets have been impacted during the pandemic that began in December 2019 and continues in various capacities through the date the Organization's financial statements were available for issuance. Although management continues to monitor and assess the effects of the pandemic on the Organization, the ultimate impact of the outbreak or a similar health epidemic is highly uncertain and subject to change.