Children Today

Fostering Stability & Success

FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2022

WITH SUMMARY COMPARATIVE INFORMATION FOR THE YEAR END DECEMBER 31, 2021

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 June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the six months 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 June 30, 2022, and the changes in its net assets and cash flows for the six months 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Controller General of the United States. 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 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.

Orange County & San Diego
info@evergreenallianceCPA.com

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 19-44 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. 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 November 15, 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
November 15, 2022

CHILDREN TODAY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND DECEMBER 31, 2021

	June 30, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 913,923	$ 1,255,576
Investments	450,380	347,495
Accounts receivable	--	3,407
Prepaid expenses	7,721	7,661
Total Current Assets	1,372,024	1,614,139
PROPERTY AND EQUIPMENT, NET	3,943,879	3,973,104
OTHER ASSETS		
Beneficial interest in assets held by others	86,585	102,285
TOTAL ASSETS	$ 5,402,488	$ 5,689,528
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 10,934	$ 13,423
Accrued employee related expenses	78,542	38,257
Deferred revenue	5,000	5,000
Note payable, current portion	23,243	23,243
Total Current Liabilities	117,719	79,923
NON CURRENT LIABILITIES		
Note payable, net of current portion	563,985	575,467
TOTAL LIABILITIES	681,704	655,390
NET ASSETS		
Without donor restrictions		
Board designated for endowment purposes	35,000	35,000
Undesignated	4,591,161	4,849,138
Total without donor restrictions	4,626,161	4,884,138
With donor restrictions	94,623	150,000
TOTAL NET ASSETS	4,720,784	5,034,138
TOTAL LIABILITIES AND NET ASSETS	$ 5,402,488	$ 5,689,528

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

CHILDREN TODAY, INC.
STATEMENT OF ACTIVITIES
FOR THE SIX MONTHS ENDED JUNE 30, 2022
WITH SUMMARY COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	June 30, 2022	December 31, 2021
REVENUE AND SUPPORT				
Government grants	$ 357,978	$ --	$ 357,978	$ 763,690
Contributions and grants	59,956	43,000	102,956	664,110
Paycheck Protection Program (PPP) loan forgiveness	--	--	--	173,900
In-kind contributions	13,354	--	13,354	34,405
Investment income, net	(78,212)	--	(78,212)	14,883
Net assets released from restrictions	98,377	(98,377)	--	--
	451,453	(55,377)	396,076	1,650,988
SPECIAL EVENTS				
Special events revenue	49,585	--	49,585	189,378
Special events expense	(167)	--	(167)	(80,597)
	49,418	--	49,418	108,781
TOTAL REVENUE AND SUPPORT	500,871	(55,377)	445,494	1,759,769
EXPENSES				
Program services	543,146	--	543,146	1,057,137
Supporting services:				
Management and general	207,864	--	207,864	340,954
Fundraising	7,838	--	7,838	21,283
TOTAL EXPENSES	758,848	--	758,848	1,419,374
CHANGE IN NET ASSETS	(257,977)	(55,377)	(313,354)	340,395
NET ASSETS AT BEGINNING OF YEAR	4,884,138	150,000	5,034,138	4,693,743
NET ASSETS AT END OF YEAR	$ 4,626,161	$ 94,623	$ 4,720,784	$ 5,034,138

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

CHILDREN TODAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2022
WITH SUMMARY COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	June 30, 2022	December 31, 2021
PERSONNEL EXPENSES					
Salaries and wages	$ 340,090	$ 109,864	$ 4,231	$ 454,185	$ 827,448
Employee benefits and taxes	63,075	17,268	406	80,749	115,356
TOTAL PERSONNEL EXPENSES	403,165	127,132	4,637	534,934	942,804
OTHER EXPENSES					
Advertising and outreach	2,501	214	--	2,715	8,861
Automobile	17	300	--	317	3,062
Bank and credit card fees	--	1,112	--	1,112	2,064
Depreciation	35,715	10,913	2,976	49,604	100,369
Dues and subscriptions	99	3,344	--	3,443	5,457
Food supplies	15,097	--	--	15,097	21,159
In-kind expense	--	13,354	--	13,354	34,405
Insurance	42,532	6,898	210	49,640	107,233
Interest expense	--	15,014	--	15,014	30,959
Meetings expense	--	154	--	154	2,236
Office supplies	466	1,377	--	1,843	6,002
Payroll service fees	--	1,986	--	1,986	1,983
Permits and licenses	248	9	--	257	2,247
Postage and delivery	--	81	--	81	258
Professional fees	--	21,500	--	21,500	21,685
Property taxes	--	--	--	--	940
Repairs and maintenance	19,178	454	--	19,632	55,204
Staff development	3,519	360	15	3,894	3,051
Supplies	9,626	15	--	9,641	25,863
Telephone and internet	2,853	935	--	3,788	8,145
Utilities	6,952	267	--	7,219	14,305
Other	1,178	2,445	--	3,623	21,082
TOTAL OTHER EXPENSES	139,981	80,732	3,201	223,914	476,570
TOTAL EXPENSES	$ 543,146	$ 207,864	$ 7,838	$ 758,848	$ 1,419,374

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

CHILDREN TODAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2022
AND THE YEAR ENDED DECEMBER 31, 2021

	June 30, 2022	December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$(313,354)	$ 340,395
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized loss (gains) on investment	31,065	(272)
Unrealized loss on investment	36,560	3,254
Depreciation	49,604	100,369
Change in value of beneficial interest in assets held by others	15,700	(9,612)
Paycheck Protection Program (PPP) loan forgiveness	--	(173,900)
Change in operating assets and liabilities:		
Accounts receivable	3,407	17,984
Prepaid expenses	(60)	(7,661)
Accounts payable and accrued expenses	(2,489)	10,220
Accrued employee related expenses	40,285	16,608
Deferred revenue	--	(500)
Net Cash (Used In) Provided By Operating Activities	(139,282)	296,885
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	159,106	11,626
Purchases of investments	(329,616)	(362,103)
Purchases of property and equipment	(20,379)	(12,329)
Purchases of beneficial interest in assets held by others	--	(300)
Net Cash Used In Investing Activities	(190,889)	(363,106)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program (PPP) loan	--	173,900
Repayments on note payable	(11,482)	(22,032)
Net Cash (Used In) Provided By Financing Activities	(11,482)	151,868
NET CHANGE IN CASH AND CASH EQUIVALENTS	(341,653)	85,647
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,255,576	1,169,929
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 913,923	$ 1,255,576
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 15,014	$ 30,959
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 SIX MONTHS ENDED JUNE 30, 2022
WITH SUMMARY COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021

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 period 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. Accordingly, these comparative financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2021, 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.

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.

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 six months ended June 30, 2022 and for the year ended December 31, 2021 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 six months ended June 30, 2022 and during the year ended December 31, 2021, contributed goods totaled $13,354 and $34,405, 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 six months ended June 30, 2022 and the year ended December 31, 2021 totaled $2,715 and $8,861, 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.

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 November 15, 2022, the date the financial statements were issued for the six months ended June 30, 2022, see Note 13.

NOTE 3 – Liquidity and Availability

Financial assets available to meet general expenditures within one year of as of June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Cash and cash equivalents	$ 913,923	$ 1,255,576
Investments	450,380	347,495
Accounts receivable	--	3,407
Beneficial interest in assets held by others	86,585	102,285
	1,405,888	1,708,763
Less: Board-designated quasi-endowment	(35,000)	(35,000)
Less: Donor-restricted funds	(94,623)	(150,000)
Total	$ 1,321,265	$ 1,523,763

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.

NOTE 4 – Fair Value Measurements and Disclosures *(continued)*

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.

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 June 30, 2022 and December 31, 2021.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2022:

		Fair Value Measurements at Reporting Date Using		
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual funds	$ 291,800	$ 291,800	$ --	$ --
Exchange-traded funds	135,902	135,902	--	--
Better alternative systems	22,678	22,678	--	--
Beneficial interest in assets held by others	86,585	--	--	86,585
	$ 536,965	$ 450,380	$ --	$ 86,585

NOTE 4 – Fair Value Measurements and Disclosures *(continued)*

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

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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	102,285	--	--	102,285
	$ 449,780	$ 347,495	$ --	$ 102,285

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 six months ended June 30, 2022 and the year ended December 31, 2021:

	June 30, 2022	December 31, 2021
Beginning balance	$ 102,285	$ 92,373
Contributions	--	300
Investment income, net	(15,700)	9,759
Administrative fees	--	(147)
Ending balance	$ 86,585	$ 102,285

NOTE 5 – Property and Equipment

Property and equipment are summarized as follows at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Building	$ 3,846,402	$ 3,826,023
Furniture, fixtures and equipment	126,344	126,344
Automobiles	30,470	30,470
	4,003,216	3,982,837
Less: accumulated depreciation	(783,813)	(734,209)
	3,219,403	3,248,628
Land	724,476	724,476
Total	$ 3,943,879	$ 3,973,104

Depreciation expense for the six months ended June 30, 2022 was $49,604 and the year ended December 31, 2021 was $100,369, respectively.

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 as revenue 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 June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
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%	$ 587,228	$ 598,710
Less: current portion	(23,243)	(23,243)
Total note payable, net of current portion	$ 563,985	$ 575,467

Future maturities are as follows:

For the period ending June 30,	
2023	$ 23,243
2024	24,433
2025	25,683
2026	26,997
2027	28,378
Thereafter	458,494
Total	$ 587,228

NOTE 8 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Subject to expenditure for specified purpose:		
Program administration and supplies	$ 94,623	$ 150,000

NOTE 8 – Net Assets with Donor Restrictions *(continued)*

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 six months ended June 30, 2022 and year ended December 31, 2021:

	June 30, 2022	December 31, 2021
Program administration and supplies	$ 87,104	$ 124,363
Administrative support and supplies	11,273	29,983
Total	$ 98,377	$ 154,346

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. As of June 30, 2022, there were not any accounts receivable.

Revenue

Revenue provided through programs funded by the California Department of Education, California Department of Social Services, and Head Start made up 78% and 46% of the Organization's total revenue and support for the six months ended June 30, 2022 and the year ended December 31, 2021, respectively.

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 and insurance, which are allocated on a square footage basis, as well as salaries and wages, employee benefits and taxes, advertising and outreach, automobile, dues and subscriptions, 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). The Plan covers employees working 20 or more hours per week who have completed 90 days of service. Eligible employees 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 six months ended June 30, 2022, the Organization offered an employer match of contributions up to 3% of gross salary, resulting in $1,947 in expense related to the Plan. During the year ended December 31, 2021, the Organization did not offer an employer match.

NOTE 12 –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.

NOTE 13 – Subsequent Event

Subsequent to the six months ended June 30, 2022, the Organization signed a change in terms agreement with the holder of the mortgage note. The change in terms agreement resulted in a modification to the promissory note to change the rate effective August 1, 2022 to the Wall Street Journal Prime rate plus 1% fixed for 6 years and variable thereafter.