



**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2023**

**WITH SUMMARY COMPARATIVE INFORMATION FOR  
THE SIX MONTHS ENDED JUNE 30, 2022**

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## 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, 2023, 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 June 30, 2023, and the changes in its net assets and cash flows for the fiscal 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

## **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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 18-41 required by the Audit Guides issued by the California Department of Education and the California Department of Social Services, are 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 9, 2023 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 9, 2023

**CHILDREN TODAY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2023 AND JUNE 30, 2022**

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,655,002	\$ 913,923
Investments	531,116	450,380
Accounts receivable	8,815	--
Contributions receivable	190,000	--
Prepaid expenses	7,801	7,721
Total Current Assets	2,392,734	1,372,024
<b>PROPERTY AND EQUIPMENT, NET</b>	3,843,534	3,943,879
<b>OTHER ASSETS</b>		
Beneficial interest in assets held by others	94,580	86,585
<b>TOTAL ASSETS</b>	\$ 6,330,848	\$ 5,402,488
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 6,008	\$ 10,934
Accrued employee related expenses	87,203	78,542
Deferred revenue	--	5,000
Note payable, current portion	24,124	23,243
Total Current Liabilities	117,335	117,719
<b>NON CURRENT LIABILITIES</b>		
Note payable, net of current portion	289,881	563,985
<b>TOTAL LIABILITIES</b>	407,216	681,704
<b>NET ASSETS</b>		
Without donor restrictions		
Board designated for endowment purposes	35,000	35,000
Undesignated	5,658,632	4,591,161
Total without donor restrictions	5,693,632	4,626,161
With donor restrictions	230,000	94,623
<b>TOTAL NET ASSETS</b>	5,923,632	4,720,784
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 6,330,848	\$ 5,402,488

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

**CHILDREN TODAY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARY COMPARATIVE INFORMATION FOR**  
**THE SIX MONTHS ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	June 30,	
			2023	2022
<b>REVENUE AND SUPPORT</b>				
Government grants	\$ 1,489,120	\$ --	\$ 1,489,120	\$ 357,978
Contributions and grants	378,406	295,139	673,545	102,956
In-kind contributions	31,149	--	31,149	13,354
Investment income, net	58,905	--	58,905	( 78,212)
Net assets released from restrictions	<u>159,762</u>	<u>( 159,762)</u>	<u>--</u>	<u>--</u>
	2,117,342	135,377	2,252,719	396,076
<b>SPECIAL EVENTS</b>				
Special events revenue	273,824	--	273,824	49,585
Special events expense	<u>( 161,996)</u>	<u>--</u>	<u>( 161,996)</u>	<u>( 167)</u>
	<u>111,828</u>	<u>--</u>	<u>111,828</u>	<u>49,418</u>
<b>TOTAL REVENUE AND SUPPORT</b>	2,229,170	135,377	2,364,547	445,494
<b>EXPENSES</b>				
Program services	1,164,977	--	1,164,977	543,146
Supporting services:				
Management and general	383,210	--	383,210	207,864
Fundraising	<u>68,512</u>	<u>--</u>	<u>68,512</u>	<u>7,838</u>
<b>TOTAL EXPENSES</b>	<u>1,616,699</u>	<u>--</u>	<u>1,616,699</u>	<u>758,848</u>
<b>CHANGE IN NET ASSETS</b>	612,471	135,377	747,848	( 313,354)
<b>NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	4,626,161	94,623	4,720,784	5,034,138
<b>PRIOR PERIOD ADJUSTMENT (NOTE 12)</b>	<u>455,000</u>	<u>--</u>	<u>455,000</u>	<u>--</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 5,693,632</u>	<u>\$ 230,000</u>	<u>\$ 5,923,632</u>	<u>\$ 4,720,784</u>

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

**CHILDREN TODAY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARY COMPARATIVE INFORMATION FOR**  
**THE SIX MONTHS ENDED JUNE 30, 2022**

	Program Services	Management and General	Fundraising	June 30,	
				2023	2022
<b>PERSONNEL EXPENSES</b>					
Salaries and wages	\$ 770,975	\$ 142,585	\$ 55,653	\$ 969,213	\$ 454,185
Employee benefits and taxes	<u>117,418</u>	<u>27,488</u>	<u>9,465</u>	<u>154,371</u>	<u>80,749</u>
<b>TOTAL PERSONNEL EXPENSES</b>	888,393	170,073	65,118	1,123,584	534,934
<b>OTHER EXPENSES</b>					
Advertising and outreach	7,236	1,532	--	8,768	2,715
Automobile	16	4,573	--	4,589	317
Bank and credit card fees	--	145	--	145	1,112
Depreciation	--	100,345	--	100,345	49,604
Dues and subscriptions	404	7,129	--	7,533	3,443
Food supplies	28,167	--	--	28,167	15,097
In-kind expense	--	31,149	--	31,149	13,354
Insurance	90,370	12,012	3,307	105,689	49,640
Interest expense	--	30,780	--	30,780	15,014
Meetings expense	--	261	--	261	154
Office supplies	4,007	2,350	--	6,357	1,843
Payroll service fees	--	--	--	--	1,986
Permits and licenses	1,762	439	--	2,201	257
Postage and delivery	--	825	--	825	81
Professional fees	--	16,150	--	16,150	21,500
Programmatic events	24,731	--	--	24,731	--
Property taxes	1,643	51	--	1,694	--
Repairs and maintenance	66,198	1,320	--	67,518	19,632
Staff development	3,908	1,187	87	5,182	3,894
Supplies	24,275	88	--	24,363	9,641
Telephone and internet	5,707	2,109	--	7,816	3,788
Utilities	18,018	692	--	18,710	7,219
Other	<u>142</u>	<u>--</u>	<u>--</u>	<u>142</u>	<u>3,623</u>
<b>TOTAL OTHER EXPENSES</b>	<u>276,584</u>	<u>213,137</u>	<u>3,394</u>	<u>493,115</u>	<u>223,914</u>
<b>TOTAL EXPENSES</b>	<u>\$ 1,164,977</u>	<u>\$ 383,210</u>	<u>\$ 68,512</u>	<u>\$ 1,616,699</u>	<u>\$ 758,848</u>

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

**CHILDREN TODAY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARY COMPARATIVE INFORMATION FOR**  
**THE SIX MONTHS ENDED JUNE 30, 2022**

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 747,848	\$( 313,354)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized loss on investment	18,008	31,065
Unrealized (gain) loss on investment	( 42,182)	36,560
Depreciation	100,345	49,604
Change in value of beneficial interest in assets held by others	( 7,995)	15,700
Change in operating assets and liabilities:		
Accounts receivable	( 8,815)	3,407
Contributions receivable	( 190,000)	--
Grants receivable	455,000	--
Prepaid expenses	( 80)	( 60)
Accounts payable and accrued expenses	( 4,925)	( 2,489)
Accrued employee related expenses	8,661	40,285
Deferred revenue	( 5,000)	--
Net Cash Provided By (Used In) Operating Activities	1,070,865	( 139,282)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	137,482	159,106
Purchases of investments	( 194,045)	( 329,616)
Purchases of property and equipment	--	( 20,379)
Net Cash Used In Investing Activities	( 56,563)	( 190,889)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on note payable	( 273,223)	( 11,482)
Net Cash Used In Financing Activities	( 273,223)	( 11,482)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	741,079	( 341,653)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
	913,923	1,255,576
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		
	\$ 1,655,002	\$ 913,923
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 30,780	\$ 15,014
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 FISCAL YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARY COMPARATIVE INFORMATION FOR**  
**THE SIX MONTHS ENDED JUNE 30, 2022**

**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. In addition, the prior period statements cover the six month period ended June 30, 2022, not a full fiscal year. Accordingly, these comparative financial statements should be read in conjunction with our audited financial statements for the six months ended June 30, 2022, 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 FISCAL YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARY COMPARATIVE INFORMATION FOR**  
**THE SIX MONTHS ENDED JUNE 30, 2022**

**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.

***Contributions Receivable***

Contributions receivable consist of pledged commitments 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.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARY COMPARATIVE INFORMATION FOR**  
**THE SIX MONTHS ENDED JUNE 30, 2022**

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

***Classification of Net Assets (continued)***

*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.

***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 fiscal year ended June 30, 2023 and six months ended June 30, 2022 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 fiscal year ended June 30, 2023 and six months ended June 30, 2022, contributed goods totaled \$31,149 and \$13,354, 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 fiscal year ended June 30, 2023 and six months ended June 30, 2022 totaled \$8,768 and \$2,715, respectively.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARY COMPARATIVE INFORMATION FOR**  
**THE SIX MONTHS ENDED JUNE 30, 2022**

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

***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.

***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 is 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.

***Accounting Pronouncements Adopted***

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 became effective for nonpublic business entities for the annual reporting period beginning after December 15, 2021.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARY COMPARATIVE INFORMATION FOR**  
**THE SIX MONTHS ENDED JUNE 30, 2022**

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

***Accounting Pronouncements Adopted (continued)***

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 became effective for nonpublic business entities for the annual reporting period beginning after June 15, 2021.

***Subsequent Events***

The Organization has evaluated subsequent events through November 9, 2023, the date the financial statements were issued for the fiscal year ended June 30, 2023. See Note 11.

**NOTE 3 – Liquidity and Availability**

Financial assets available to meet general expenditures within one year as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,655,002	\$ 913,923
Investments	531,116	450,380
Accounts receivable	8,815	--
Contributions receivable	190,000	--
Beneficial interest in assets held by others	<u>94,580</u>	<u>86,585</u>
	2,479,513	1,450,888
Less: Board-designated quasi-endowment	( 35,000)	( 35,000)
Less: Donor-restricted funds	<u>( 230,000)</u>	<u>( 94,623)</u>
Total	<u>\$ 2,214,513</u>	<u>\$ 1,321,265</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.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARY COMPARATIVE INFORMATION FOR**  
**THE SIX MONTHS ENDED JUNE 30, 2022**

**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.

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, 2023 and 2022.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARY COMPARATIVE INFORMATION FOR**  
**THE SIX MONTHS ENDED JUNE 30, 2022**

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

The following table presents assets measured at fair value on a recurring basis at June 30, 2023:

	<u>Total</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds	\$ 276,816	\$ 276,816	\$ --	\$ --
Exchange-traded funds	254,300	254,300	--	--
Beneficial interest in assets held by others	94,580	--	--	94,580
	<u>\$ 625,696</u>	<u>\$ 531,116</u>	<u>\$ --</u>	<u>\$ 94,580</u>

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

	<u>Total</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
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
	<u>\$ 536,965</u>	<u>\$ 450,380</u>	<u>\$ --</u>	<u>\$ 86,585</u>

The following is a reconciliation of the beginning and ending balance of Level 3 assets measured at fair value on a recurring basis for the fiscal year ended June 30, 2023 and six months ended June 30, 2022:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 86,585	\$ 102,285
Contributions	--	--
Investment income, net	7,995	( 15,700)
Administrative fees	--	--
Ending balance	<u>\$ 94,580</u>	<u>\$ 86,585</u>

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**NOTE 5 – Property and Equipment**

Property and equipment are summarized as follows at June 30:

	<u>2023</u>	<u>2022</u>
Building	\$ 3,846,402	\$ 3,826,023
Furniture, fixtures and equipment	126,344	126,344
Automobiles	<u>30,470</u>	<u>30,470</u>
	4,003,216	3,982,837
Less: accumulated depreciation	( 884,158)	( 783,813)
	3,119,058	3,219,403
Land	<u>724,476</u>	<u>724,476</u>
Total	<u>\$ 3,843,534</u>	<u>\$ 3,943,879</u>

Depreciation expense for the fiscal year ended June 30, 2023 was \$100,345 and six months ended June 30, 2022 was \$49,604.

**NOTE 6 – Note Payable**

Note payable consists of the following at June 30:

	<u>2023</u>	<u>2022</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%	\$ 314,005	\$ 587,228
Less current portion	( 24,124)	( 23,243)
Total note payable, net of current portion	<u>\$ 289,881</u>	<u>\$ 563,985</u>

The Organization paid off the note payable balance in full subsequent to the fiscal year ended June 30, 2023. See Note 11.

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**NOTE 7 – Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Program administration and supplies	\$ 40,000	\$ 94,623
Subject to time restrictions	<u>190,000</u>	<u>--</u>
Total	<u>\$ 230,000</u>	<u>\$ 94,623</u>

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 fiscal year ended June 30, 2023 and six months ended June 30, 2022:

	<u>2023</u>	<u>2022</u>
Program administration and supplies	\$ 153,065	\$ 87,104
Administrative support and supplies	<u>6,697</u>	<u>11,273</u>
Total	<u>\$ 159,762</u>	<u>\$ 98,377</u>

**NOTE 8 – 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.

***Revenue***

Revenue provided through programs funded by the California Department of Education, California Department of Social Services, and Head Start made up 69% and 78% of the Organization's total revenue and support for the fiscal year ended June 30, 2023 and six months ended June 30, 2022, respectively.

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**NOTE 9 – 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. Therefore, 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 insurance and property taxes, 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, and utilities, which are allocated on the basis of estimates of time and effort.

**NOTE 10 – 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 fiscal year ended June 30, 2023 and six months ended June 30, 2022, the Organization offered an employer match of contributions up to 4% and 3%, respectively, resulting in \$19,556 and \$1,947 in expense related to the Plan.

**NOTE 11 – Subsequent Events**

The Organization fully paid off the outstanding balance of the note payable subsequent to the fiscal year ended June 30, 2023.

**NOTE 12 – Prior Period Adjustment**

During the fiscal year ended June 30, 2023, the Organization received \$455,000 in government grant revenue that related to a transfer of funds from prior fiscal years. In line with applicable revenue recognition standards, revenue was booked back to the prior fiscal year in which it related. Ending net assets was not affected as part of this change.