



**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**WITH SUMMARY COMPARATIVE INFORMATION FOR 2015**



**YH ADVISORS**  
THE EXEMPT ORG EXPERTS

## INDEPENDENT AUDITORS' REPORT

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

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, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

7755 Center Avenue, Suite 1225  
Huntington Beach, CA 92647

310.982.2806 office  
323.320.4366 fax  
yhadvisors.com

Brian Yacker, JD/CPA | Partner  
Stacey Bergman, CPA | Partner

### **Auditors' Responsibility *(continued)***

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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, 2016, and the changes in its net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on pages 18-36 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 May 9, 2017, 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.

#### **Report on Summarized Comparative Information**

We have previously audited the financial statements of Children Today, Inc. and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Huntington Beach, California  
May 9, 2017

**CHILDREN TODAY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016 AND 2015**

|  | December 31,        |                     |
|--|---------------------|---------------------|
|  | 2016                | 2015                |
| <b>ASSETS</b>                                |                     |                     |
| <b>CURRENT ASSETS</b>                        |                     |                     |
| Cash and cash equivalents                    | \$ 577,041          | \$ 317,476          |
| Accounts receivable                          | 69,723              | 130,086             |
| Pledges receivable, net                      | 1,134,233           | --                  |
| Prepaid expenses                             | --                  | <u>2,699</u>        |
| Total Current Assets                         | <u>1,780,997</u>    | <u>450,261</u>      |
| <b>PROPERTY AND EQUIPMENT, NET</b>           | 4,543,586           | 4,647,146           |
| <b>OTHER ASSETS</b>                          |                     |                     |
| Beneficial interest in assets held by others | <u>64,056</u>       | <u>60,332</u>       |
| <b>TOTAL ASSETS</b>                          | <u>\$ 6,388,639</u> | <u>\$ 5,157,739</u> |
| <b>LIABILITIES AND NET ASSETS</b>            |                     |                     |
| <b>CURRENT LIABILITIES</b>                   |                     |                     |
| Accounts payable                             | \$ 12,821           | \$ 255,007          |
| Accrued liabilities                          | 48,696              | 51,794              |
| Accrued interest                             | 2,752               | 3,444               |
| Note payable, current portion                | <u>18,111</u>       | <u>17,230</u>       |
| Total Current Liabilities                    | 82,380              | 327,475             |
| <b>NON CURRENT LIABILITIES</b>               |                     |                     |
| Note payable, net of current portion         | 680,338             | 698,233             |
| Note payable to related party                | <u>1,598,153</u>    | <u>2,000,000</u>    |
| Total Non Current Liabilities                | <u>2,278,491</u>    | <u>2,698,233</u>    |
| <b>COMMITMENTS (Note 11)</b>                 |                     |                     |
| <b>TOTAL LIABILITIES</b>                     | 2,360,871           | 3,025,708           |
| <b>NET ASSETS</b>                            |                     |                     |
| Unrestricted                                 |                     |                     |
| Board designated for endowment purposes      | 35,000              | 35,000              |
| Board designated for the Eco House           | 22,276              | 22,276              |
| Undesignated                                 | <u>2,779,659</u>    | <u>2,074,755</u>    |
| Total unrestricted                           | 2,836,935           | 2,132,031           |
| Temporarily restricted                       | <u>1,190,833</u>    | <u>--</u>           |
| <b>TOTAL NET ASSETS</b>                      | <u>4,027,768</u>    | <u>2,132,031</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>      | <u>\$ 6,388,639</u> | <u>\$ 5,157,739</u> |

**CHILDREN TODAY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

|  | December 31,        |                           |                     |                     |
|--|---------------------|---------------------------|---------------------|---------------------|
|  | Unrestricted        | Temporarily<br>Restricted | 2016                | 2015                |
| <b>REVENUE AND SUPPORT</b>                 |                     |                           |                     |                     |
| Government grants                          | \$ 568,387          | \$ --                     | \$ 568,387          | \$ 472,722          |
| Contributions and grants                   | 221,972             | 176,500                   | 398,472             | 199,431             |
| Capital campaign                           | --                  | 1,893,158                 | 1,893,158           | 640,885             |
| Program revenue                            | 15,850              | --                        | 15,850              | --                  |
| In-kind contributions                      | 32,725              | --                        | 32,725              | 12,922              |
| Investment income                          | 4,682               | --                        | 4,682               | 462                 |
| Gain on sale of asset                      | 10,435              | --                        | 10,435              | --                  |
| Net assets released from restrictions      | 878,825             | ( 878,825)                | --                  | --                  |
|  | <u>1,732,876</u>    | <u>1,190,833</u>          | <u>2,923,709</u>    | <u>1,326,422</u>    |
| <b>SPECIAL EVENTS</b>                      |                     |                           |                     |                     |
| Special events revenue                     | 458,053             | --                        | 458,053             | 146,863             |
| Special events expenses                    | ( 251,140)          | --                        | ( 251,140)          | ( 10,507)           |
|  | <u>206,913</u>      | <u>--</u>                 | <u>206,913</u>      | <u>136,356</u>      |
| <b>TOTAL REVENUE AND SUPPORT</b>           | 1,939,789           | 1,190,833                 | 3,130,622           | 1,462,778           |
| <b>EXPENSES</b>                            |                     |                           |                     |                     |
| Program services                           | 878,611             | --                        | 878,611             | 847,922             |
| Supporting services:                       |                     |                           |                     |                     |
| Management and general                     | 300,858             | --                        | 300,858             | 248,553             |
| Fundraising                                | 55,416              | --                        | 55,416              | 193,932             |
|  | <u>1,234,885</u>    | <u>--</u>                 | <u>1,234,885</u>    | <u>1,290,407</u>    |
| <b>TOTAL EXPENSES</b>                      | 1,234,885           | --                        | 1,234,885           | 1,290,407           |
| <b>CHANGE IN NET ASSETS</b>                | 704,904             | 1,190,833                 | 1,895,737           | 172,371             |
| <b>NET ASSETS AT<br/>BEGINNING OF YEAR</b> | <u>2,132,031</u>    | <u>--</u>                 | <u>2,132,031</u>    | <u>1,959,660</u>    |
| <b>NET ASSETS AT END OF YEAR</b>           | <u>\$ 2,836,935</u> | <u>\$ 1,190,833</u>       | <u>\$ 4,027,768</u> | <u>\$ 2,132,031</u> |

**CHILDREN TODAY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

|  | <b>December 31,</b> |              |
|--|---------------------|--------------|
|  | <b>2016</b>         | <b>2015</b>  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |              |
| Change in net assets   | \$ 1,895,737        | \$ 172,371   |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                     |              |
| Depreciation   | 120,918             | 17,663       |
| Gain on sale of property and equipment   | ( 15,000)           | --           |
| Loss on disposal of property and equipment   | 4,565               | --           |
| Change in value of beneficial interest   | ( 3,724)            | 588          |
| Discount on unconditional promises to give   | 25,767              | --           |
| Change in operating assets and liabilities:  |                     |              |
| Accounts receivable  | 60,363              | 50,131       |
| Pledges receivable   | ( 1,160,000)        | 182,490      |
| Prepaid expenses   | 2,699               | 3,400        |
| Accounts payable   | ( 242,186)          | ( 91,859)    |
| Accrued liabilities  | ( 3,098)            | 6,873        |
| Accrued interest   | ( 692)              | 3,444        |
| Net Cash Provided By Operating Activities  | 685,349             | 345,101      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                     |              |
| Proceeds from sale of property and equipment   | 15,000              | --           |
| Purchases of property and equipment  | ( 21,923)           | ( 2,522,517) |
| Net Cash Used In Investing Activities  | ( 6,923)            | ( 2,522,517) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |              |
| Proceeds from note payable to related party  | --                  | 1,900,000    |
| Repayments on note payable   | ( 17,014)           | ( 16,272)    |
| Repayments on note payable to related party  | ( 401,847)          | --           |
| Net Cash (Used In) Provided By Financing Activities  | ( 418,861)          | 1,883,728    |
| <b>NET CHANGE IN CASH AND<br/>CASH EQUIVALENTS</b>   | 259,565             | ( 293,688)   |
| <b>CASH AND CASH EQUIVALENTS AT<br/>BEGINNING OF YEAR</b>                                      | 317,476             | 611,164      |
| <b>CASH AND CASH EQUIVALENTS AT<br/>END OF YEAR</b>  | \$ 577,041          | \$ 317,476   |
| <b>SUPPLEMENTAL DISCLOSURES</b>  |                     |              |
| Interest paid  | \$ 75,468           | \$ 55,877    |
| Income taxes paid  | NONE                | NONE         |
| Noncash investing transactions   | NONE                | NONE         |

**CHILDREN TODAY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

|                                 | Program<br>Services | Management<br>and General | Fundraising      | December 31,        |                     |
|---------------------------------|---------------------|---------------------------|------------------|---------------------|---------------------|
|                                 |                     |                           |                  | 2016                | 2015                |
| <b>PERSONNEL EXPENSES</b>       |                     |                           |                  |                     |                     |
| Salaries and wages              | \$ 505,198          | \$ 132,545                | \$ 41,829        | \$ 679,572          | \$ 660,961          |
| Employee benefits and taxes     | 75,874              | 13,813                    | 4,903            | 94,590              | 97,673              |
| <b>TOTAL PERSONNEL EXPENSES</b> | <b>581,072</b>      | <b>146,358</b>            | <b>46,732</b>    | <b>774,162</b>      | <b>758,634</b>      |
| <b>OTHER EXPENSES</b>           |                     |                           |                  |                     |                     |
| Advertising and outreach        | 1,474               | --                        | --               | 1,474               | 320                 |
| Automobile                      | 325                 | 793                       | 182              | 1,300               | 6,843               |
| Bank and credit card fees       | --                  | 3,455                     | --               | 3,455               | 2,224               |
| Depreciation                    | 87,061              | 26,602                    | 7,255            | 120,918             | 17,663              |
| Dues and subscriptions          | --                  | 336                       | --               | 336                 | 172                 |
| Food supplies                   | 49,415              | --                        | --               | 49,415              | 29,731              |
| In-kind expense                 | 32,725              | --                        | --               | 32,725              | 12,922              |
| Insurance                       | 47,882              | 6,037                     | 1,247            | 55,166              | 73,211              |
| Interest expense                | --                  | 74,776                    | --               | 74,776              | 59,321              |
| Meetings expense                | 98                  | 3,982                     | --               | 4,080               | 2,594               |
| Office supplies                 | 388                 | 3,410                     | --               | 3,798               | 3,037               |
| Permits and licenses            | 3,777               | --                        | --               | 3,777               | 2,113               |
| Postage and delivery            | --                  | 560                       | --               | 560                 | 1,231               |
| Professional fees               | --                  | 20,600                    | --               | 20,600              | 186,684             |
| Property taxes                  | 17,086              | 2,875                     | --               | 19,961              | 1,035               |
| Rent and utilities              | 13,551              | 560                       | --               | 14,111              | 97,290              |
| Repairs and maintenance         | 16,988              | 1,421                     | --               | 18,409              | 10,773              |
| Staff development               | 624                 | 2,762                     | --               | 3,386               | 680                 |
| Supplies                        | 15,427              | 1,458                     | --               | 16,885              | 11,412              |
| Telephone and internet          | 7,013               | 4,270                     | --               | 11,283              | 8,233               |
| Travel                          | 60                  | --                        | --               | 60                  | 1,730               |
| Other                           | 3,645               | 603                       | --               | 4,248               | 2,554               |
| <b>TOTAL OTHER EXPENSES</b>     | <b>297,539</b>      | <b>154,500</b>            | <b>8,684</b>     | <b>460,723</b>      | <b>531,773</b>      |
| <b>TOTAL EXPENSES</b>           | <b>\$ 878,611</b>   | <b>\$ 300,858</b>         | <b>\$ 55,416</b> | <b>\$ 1,234,885</b> | <b>\$ 1,290,407</b> |

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 1 – Summary of Significant Accounting Policies**

***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. Additionally, the Organization conducted a capital campaign to fund building and facility expansion.

***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.

***Classification of Net Assets***

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted* – includes unrestricted funds for general operations, support used in operations after meeting initial grantor or donor restrictions.

*Temporarily restricted* – includes funds that are subject to donor imposed restrictions which will be met either by the Organization's actions or the passage of time. Temporarily restricted net assets are reclassified to unrestricted net assets when the restrictions have been met or have expired.

*Permanently restricted* – includes funds that are subject to donor imposed restrictions that do not expire. Amounts are held in perpetuity while the income is available for general or program designated use.

At December 31, 2016 and 2015 the Organization did not have any permanently restricted net assets.



**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 1 – Summary of Significant Accounting Policies *(continued)***

***Liquidity***

Assets are presented according to their nearness to cash and liabilities are presented according to their nearness to payment or use of cash.

***Revenue Recognition***

The Organization recognizes contributions received as revenue in the period earned. Contributions of assets other than cash are recorded at their estimated fair value on the date of donation. Contributions received are reported as unrestricted support, temporarily restricted support, or permanently restricted support. Temporarily restricted net assets become unrestricted when donor imposed time restrictions expire or when the contributions are used for their restricted purpose, at which time they are reported in the Statement of Activities as satisfied of restrictions. Expenses are reported as decreases in unrestricted net assets.

***Use of Estimates and Assumptions***

Management uses estimates and assumptions in preparing financial statements in accordance with US GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities. Actual results could differ from such estimates and assumptions. The significant items in these statements that are affected by management estimates are allowance for doubtful accounts, net present value discount on pledges receivable, depreciation, valuation of donated services and materials, and allocations of functional expenses.

***Cash and Cash Equivalents***

For the purposes of the statements of financial position and the statements of cash flows, cash and cash equivalents consist of interest bearing and noninterest bearing bank deposits. As of December 31, 2016 and 2015, the Organization had \$179,178 and \$82,246, respectively, in cash designated for the development of Eco House.

***Accounts Receivable***

The accounts receivable consist primarily of reimbursements due from governmental agencies under various grant agreements, 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.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 1 – Summary of Significant Accounting Policies *(continued)***

***Pledges Receivable***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. For the years ended December 31, 2016 and 2015, the Organization did not receive any conditional promises to give.

***Fair Value of Financial Instruments***

Financial assets and liabilities are recorded at their fair market value in accordance with accounting standards. Accounting standards define fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. Accounting standards define fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principle or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

*Level 1* – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

*Level 2* – Directly or indirectly observable inputs for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets.

*Level 3* – Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own data.

Certain financial instruments are carried at cost on the statements of financial position and, thus, are not categorized. These instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

The fair value of the Organization's beneficial interest in assets held by others (Note 5) is based on the Organization's share of a pooled investment portfolio as of December 31, 2016 and 2015, and are categorized as Level 2.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 1 – Summary of Significant Accounting Policies *(continued)***

***Long-Lived Assets***

The Organization reviews long-lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances have occurred during the year causing the Organization to believe there has been any impairment of the carrying value of its long-lived assets. There can be no assurance, however, that market or other conditions will not change in the future, resulting in impairment of long-lived assets.

***Property and Equipment***

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated and significant. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation has been recorded using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. Repairs, maintenance, and minor acquisitions are expensed as incurred, and the Organization uses the direct expensing method to account for planned major maintenance activities.

***Contributed Goods and Services***

Contributed goods received during the years ended December 31, 2016 and 2015 totaled \$98,792 and \$12,922, respectively, and included clothing, supplies, and gift cards to various retail stores that were utilized as part of program services and items donated for auction which were utilized for fundraising during the annual Holiday Cheer event.

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.

***Functional Allocation of Expenses***

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 1 – 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 23701(d), 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.

***Reclassifications***

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

***Subsequent Events***

The Organization has evaluated subsequent events through May 9, 2017, which is the date the financial statements were available to be issued for the year ended December 31, 2016.

**NOTE 2 – Accounts Receivable**

Accounts receivable consisted of the following at December 31:

|                              | <u>2016</u>      | <u>2015</u>       |
|------------------------------|------------------|-------------------|
| Government grant receivables | \$ 69,723        | \$ 130,086        |
| Total                        | <u>\$ 69,723</u> | <u>\$ 130,086</u> |

There was no allowance for doubtful accounts at December 31, 2016 or 2015 as all outstanding amounts are expected to be collected in full within one year.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 3 – Pledges Receivable**

Pledges receivable are summarized as follows at December 31:

|  | <u>2016</u>         |
|--|---------------------|
| Unconditional pledges expected to be collected in: |                     |
| Less than one year                                 | \$ 560,000          |
| Greater than one year                              | <u>600,000</u>      |
|  | 1,160,000           |
| <br>   |                     |
| Less discounts to net present value                | ( <u>25,767</u> )   |
| <br>   |                     |
| Total  | <u>\$ 1,134,233</u> |

There were no pledges receivable at December 31, 2015.

Pledges receivable due in more than one year are discounted using the Daily Treasury Yield Curve Rate, which was 1.47% at December 31, 2016. There was no allowance for uncollectible amounts deemed necessary by management at December 31, 2016.

**NOTE 4 – Property and Equipment**

Property and equipment are summarized as follows at December 31:

|                                     | <u>2016</u>         | <u>2015</u>         |
|-------------------------------------|---------------------|---------------------|
| Furniture, fixtures and equipment   | \$ 123,968          | \$ 97,948           |
| Automobile                          | 30,470              | 62,159              |
| Building                            | <u>3,802,349</u>    | <u>--</u>           |
|                                     | 3,956,787           | 160,107             |
| Less accumulated depreciation       | ( <u>137,677</u> )  | ( <u>141,831</u> )  |
|                                     | 3,819,110           | 18,276              |
| Land                                | 724,476             | --                  |
| Construction in process – Eco House | <u>--</u>           | <u>4,628,870</u>    |
| <br>                                |                     |                     |
| Total                               | <u>\$ 4,543,586</u> | <u>\$ 4,647,146</u> |

Depreciation expense for the years ended December 31, 2016 and 2015 was \$120,918 and \$17,663, respectively.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 5 – Beneficial Interest and Board-Designated Net Assets**

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 the beneficial interest in the assets held by LBCF.

The value of the beneficial interest was \$64,056 and \$60,332 as of December 31, 2016 and 2015, respectively. The change in ending balances were comprised of the following:

|                           | <u>2016</u>         | <u>2015</u>          |
|---------------------------|---------------------|----------------------|
| Contributions             | \$ 25               | \$ --                |
| Interest and dividends    | 1,354               | 1,226                |
| Unrealized gains (losses) | 2,604               | ( 1,289)             |
| Realized gains            | 459                 | 183                  |
| Administrative fees       | ( 718)              | ( 708)               |
| <br>Total                 | <br><u>\$ 3,724</u> | <br><u>( \$ 588)</u> |

The Organization’s Board of Directors has also designated \$22,276 towards development of the Eco House.

**NOTE 6 – Accrued Liabilities**

Accrued liabilities consisted of the following at December 31:

|                           | <u>2016</u>          | <u>2015</u>          |
|---------------------------|----------------------|----------------------|
| Accrued vacation          | \$ 16,082            | \$ 13,258            |
| Accrued payroll and taxes | 32,614               | 37,911               |
| Other                     | --                   | 625                  |
| <br>Total                 | <br><u>\$ 48,696</u> | <br><u>\$ 51,794</u> |

**NOTE 7 – Compensated Absences**

It is the Organization’s policy to accrue vacation pay for its employees. Employees may accrue up to 96 unused hours, which may be paid out at the end of their employment period. The liability for such absences was \$16,082 and \$13,258 at December 31, 2016 and 2015, respectively, which is part of accrued liabilities on the statements of financial position. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 8 – Notes Payable**

Notes payable consists of the following at December 31:

|   | <b>2016</b>         | <b>2015</b>         |
|---|---------------------|---------------------|
| 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% | \$ 698,449          | \$ 715,463          |
| Note payable to related party; secured by second deed of trust on real property; interest payments are due monthly; balance and any unpaid interest due December 31, 2019; interest at 2%   | <u>1,598,153</u>    | <u>2,000,000</u>    |
|   | 2,296,602           | 2,715,463           |
| Less current portion  | ( <u>18,111</u> )   | ( <u>17,230</u> )   |
| Total   | <u>\$ 2,278,491</u> | <u>\$ 2,698,233</u> |

Future maturities of the note payable are as follows:

**For the year ending December 31,**

|            |                     |
|------------|---------------------|
| 2017       | 18,111              |
| 2018       | 19,038              |
| 2019       | 1,618,165           |
| 2020       | 21,036              |
| 2021       | 22,112              |
| Thereafter | <u>598,140</u>      |
| Total      | <u>\$ 2,296,602</u> |

**NOTE 9 – Net Assets Released From Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. All net assets released from restrictions were for the benefit of the Organization.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 9 – Net Assets Released From Restrictions (continued)**

Net assets released from restrictions consist of the following during the years ended December 31:

|                                     | <u>2016</u>       | <u>2015</u>       |
|-------------------------------------|-------------------|-------------------|
| Eco House                           | \$ 733,158        | \$ 182,490        |
| Play House programs                 | --                | 17,971            |
| Play House West programs            | --                | 125,000           |
| Eco House furniture and equipment   | --                | 50,000            |
| Program administration and supplies | 111,676           | --                |
| Administrative support and supplies | <u>33,991</u>     | <u>--</u>         |
| Total                               | <u>\$ 878,825</u> | <u>\$ 375,461</u> |

**NOTE 10 – Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes at December 31:

|   | <u>2016</u>         |
|---|---------------------|
| Program administration and supplies           | \$ 20,833           |
| Social work services                          | 10,000              |
| Eco House capital campaign pledges receivable | <u>1,160,000</u>    |
| Total   | <u>\$ 1,190,833</u> |

There were no temporarily restricted net assets at December 31, 2015.

**NOTE 11 – Commitments and Contingencies**

***Operating Leases***

The Organization was committed under two real property leases for premises in Long Beach, California, which expired May 31, 2015 and June 30, 2015 and were extended on a month to month term through the year ended December 31, 2015. One of the leases required payment of a share of common area operating costs.

Rent expense was \$96,897 for the year ended December 31, 2015. There was no rent expense for the year ended December 31, 2016.



**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 12 – 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 terms of the grants, management believes that any required reimbursements will not be material.

***Cash and Cash Equivalents***

At December 31, 2016 and 2015, and at various times throughout the years then ended, the Organization maintained balances in excess of federally insured limits. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk of cash or cash equivalents maintained at financial institutions.

***Accounts Receivable***

Revenues receivable from the U.S. Department of Housing and Urban Development made up approximately 90% and 97% of accounts receivable at December 31, 2016 and 2015, respectively.

***Pledges Receivable***

Revenue receivable from one foundation for the Eco House capital campaign made up approximately 86% of pledges receivable at December 31, 2016 and approximately 52% of total support and revenue for the year ended December 31, 2016.

***Revenues***

Revenues provided through programs funded by the California Department of Education and the U.S. Department of Housing and Urban Development made up approximately 10% and 8%, respectively, of the Organization's total support and revenue for the year ended December 31, 2016.

Revenues provided through programs funded by the California Department of Education and the U.S. Department of Housing and Urban Development made up approximately 17% and 18%, respectively, of the Organization's total support and revenue for the year ended December 31, 2015.

A challenge pledge provided by a foundation for the completion of the Eco House made up approximately 30% of the Organization's total support and revenue for the year ended December 31, 2015.

**CHILDREN TODAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**WITH COMPARATIVE TOTALS FOR 2015**

**NOTE 13 – Supplemental Disclosure of Cash Flow Information**

***Noncash Financing Activities***

During the year ended December 31, 2015, the Organization acquired additions to construction in progress totaling \$239,386, which was not paid until subsequent to year end and was recorded in accounts payable. There were no construction in progress additions paid subsequent to year end for the year ending December 31, 2016.

**NOTE 14 – Related Party Transactions**

During the year ended December 31, 2015, a \$100,000 non-interest bearing and due on demand advance that was received from a member of the Board of Directors in the previous year was converted to debt and included in the \$2,000,000 note payable (See Note 8).