



FINANCIAL STATEMENTS

DECEMBER 31, 2017

WITH SUMMARY COMPARATIVE INFORMATION FOR 2016



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, 2017, 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.

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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, 2017, 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 17-35 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 10, 2018, 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 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Huntington Beach, California
May 10, 2018

CHILDREN TODAY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 689,232	\$ 577,041
Accounts receivable	11,199	69,723
Pledges receivable, net	108,029	1,134,233
Prepaid expenses	<u>2,310</u>	<u>--</u>
Total Current Assets	810,770	1,780,997
PROPERTY AND EQUIPMENT, NET	4,425,188	4,543,586
OTHER ASSETS		
Beneficial interest in assets held by others	<u>72,272</u>	<u>64,056</u>
TOTAL ASSETS	<u>\$ 5,308,230</u>	<u>\$ 6,388,639</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 10,442	\$ 12,821
Accrued liabilities	57,481	48,696
Accrued interest	655	2,752
Note payable, current portion	<u>19,038</u>	<u>18,111</u>
Total Current Liabilities	87,616	82,380
NON CURRENT LIABILITIES		
Note payable, net of current portion	661,412	680,338
Note payable to related party	<u>380,547</u>	<u>1,598,153</u>
Total Non Current Liabilities	<u>1,041,959</u>	<u>2,278,491</u>
TOTAL LIABILITIES	1,129,575	2,360,871
NET ASSETS		
Unrestricted		
Board designated for endowment purposes	35,000	35,000
Board designated for the Eco House	22,276	22,276
Undesignated	<u>3,941,546</u>	<u>2,779,659</u>
Total unrestricted	3,998,822	2,836,935
Temporarily restricted	<u>179,833</u>	<u>1,190,833</u>
TOTAL NET ASSETS	<u>4,178,655</u>	<u>4,027,768</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,308,230</u>	<u>\$ 6,388,639</u>

CHILDREN TODAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARY COMPARATIVE TOTALS FOR 2016

			December 31,	
	Unrestricted	Temporarily Restricted	2017	2016
REVENUE AND SUPPORT				
Government grants	\$ 734,134	\$ --	\$ 734,134	\$ 568,387
Contributions and grants	181,465	310,796	492,261	398,472
Capital campaign	38,796		38,796	1,893,158
Program revenue	--	--	--	15,850
In-kind contributions	36,701	--	36,701	32,725
Investment income	8,555	--	8,555	4,682
Gain on sale of asset	--	--	--	10,435
Property tax refund	31,952	--	31,952	--
Net assets released from restrictions	1,321,796	(1,321,796)	--	--
	2,353,399	(1,011,000)	1,342,399	2,923,709
SPECIAL EVENTS				
Special events revenue	284,730	--	284,730	458,053
Special events expenses	(132,397)	--	(132,397)	(251,140)
	152,333	--	152,333	206,913
TOTAL REVENUE AND SUPPORT	2,505,732	(1,011,000)	1,494,732	3,130,622
EXPENSES				
Program services	973,987	--	973,987	878,611
Supporting services:				
Management and general	300,016	--	300,016	300,858
Fundraising	69,842	--	69,842	55,416
TOTAL EXPENSES	1,343,845	--	1,343,845	1,234,885
CHANGE IN NET ASSETS	1,161,887	(1,011,000)	150,887	1,895,737
NET ASSETS AT BEGINNING OF YEAR	2,836,935	1,190,833	4,027,768	2,132,031
NET ASSETS AT END OF YEAR	\$ 3,998,822	\$ 179,833	\$ 4,178,655	\$ 4,027,768

CHILDREN TODAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 150,887	\$ 1,895,737
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	132,119	120,918
Gain on sale of property and equipment	--	(15,000)
Loss on disposal of property and equipment	--	4,565
Change in value of beneficial interest	(8,216)	(3,724)
Discount on unconditional promises to give	(24,796)	25,767
Change in operating assets and liabilities:		
Accounts receivable	58,524	60,363
Pledges receivable	1,051,000	(1,160,000)
Prepaid expenses	(2,310)	2,699
Accounts payable	(2,379)	(242,186)
Accrued liabilities	8,785	(3,098)
Accrued interest	(2,097)	(692)
Net Cash Provided By Operating Activities	1,361,517	685,349
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	--	15,000
Purchases of property and equipment	(13,721)	(21,923)
Net Cash Used In Investing Activities	(13,721)	(6,923)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on note payable	(17,999)	(17,014)
Repayments on note payable to related party	(1,217,606)	(401,847)
Net Cash Used In Financing Activities	(1,235,605)	(418,861)
NET CHANGE IN CASH AND CASH EQUIVALENTS	112,191	259,565
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	577,041	317,476
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 689,232	\$ 577,041
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 58,053	\$ 75,468
Income taxes paid	NONE	NONE
Noncash investing transactions	NONE	NONE
Noncash financing transactions	NONE	NONE

CHILDREN TODAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARY COMPARATIVE TOTALS FOR 2016

	Program Services	Management and General	Fundraising	December 31,	
				2017	2016
PERSONNEL EXPENSES					
Salaries and wages	\$ 589,265	\$ 134,114	\$ 43,318	\$ 766,697	\$ 679,572
Employee benefits and taxes	96,329	16,288	5,754	118,371	94,590
TOTAL PERSONNEL EXPENSES	685,594	150,402	49,072	885,068	774,162
OTHER EXPENSES					
Advertising and outreach	393	1,020	--	1,413	1,474
Automobile	--	2,165	--	2,165	1,300
Bank and credit card fees	--	186	--	186	3,455
Depreciation	95,126	29,066	7,927	132,119	120,918
Dues and subscriptions	--	4,086	--	4,086	336
Eco House donor relations	--	--	11,921	11,921	--
Food supplies	30,741	--	--	30,741	49,415
In-kind expense	36,701	--	--	36,701	32,725
Insurance	43,157	3,644	352	47,153	55,166
Interest expense	--	55,956	--	55,956	74,776
Meetings expense	289	2,518	--	2,807	4,080
Office supplies	499	3,468	--	3,967	3,798
Payroll service fees	--	18,311	--	18,311	--
Permits and licenses	605	531	--	1,136	3,777
Postage and delivery	--	695	--	695	560
Professional fees	--	20,265	--	20,265	20,600
Property taxes	6,838	2,090	570	9,498	19,961
Repairs and maintenance	27,014	912	--	27,926	18,409
Staff development	7,876	1,059	--	8,935	3,386
Supplies	18,520	466	--	18,986	16,885
Telephone and internet	6,558	2,701	--	9,259	11,283
Travel	--	--	--	--	60
Utilities	12,372	475	--	12,847	14,111
Other	1,704	--	--	1,704	4,248
TOTAL OTHER EXPENSES	288,393	149,614	20,770	458,777	460,723
TOTAL EXPENSES	\$ 973,987	\$ 300,016	\$ 69,842	\$ 1,343,845	\$ 1,234,885

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016

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, 2017 and 2016 the Organization did not have any permanently restricted net assets.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016

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 goods, 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, 2017 and 2016, the Organization had \$27,219 and \$179,178, 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, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016

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, 2017 and 2016, 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, 2017 and 2016, and are categorized as Level 2.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016

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, 2017 and 2016 totaled \$96,744 and \$98,972, 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, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016

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 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.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 985) Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a Not-For-Profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Organization is still evaluating the impact the amendments in this ASU will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through May 10, 2018, which is the date the financial statements were available to be issued for the year ended December 31, 2017.

NOTE 2 – Accounts Receivable

Accounts receivable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Government grant receivables	\$ 11,199	\$ 69,723
Total	<u>\$ 11,199</u>	<u>\$ 69,723</u>

There was no allowance for doubtful accounts at December 31, 2017 or 2016 as all outstanding amounts are expected to be collected in full within one year.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016

NOTE 3 – Pledges Receivable

Pledges receivable are summarized as follows at December 31:

	<u>2017</u>	<u>2016</u>
Unconditional pledges expected to be collected in:		
Less than one year	\$ 59,000	\$ 560,000
Greater than one year	<u>50,000</u>	<u>600,000</u>
	109,000	1,160,000
Less discounts to net present value	(<u>971</u>)	(<u>25,767</u>)
 Total	 <u>\$ 108,029</u>	 <u>\$ 1,134,233</u>

Pledges receivable due in more than one year are discounted using the Daily Treasury Yield Curve Rate, which was 1.98% and 1.47% at December 31, 2017 and 2016, respectively. There was no allowance for uncollectible amounts deemed necessary by management at either December 31, 2017 or 2016.

NOTE 4 – Property and Equipment

Property and equipment are summarized as follows at December 31:

	<u>2017</u>	<u>2016</u>
Furniture, fixtures and equipment	\$ 126,344	\$ 123,968
Automobile	30,470	30,470
Building	<u>3,813,693</u>	<u>3,802,349</u>
	3,970,507	3,956,787
Less accumulated depreciation	(<u>269,795</u>)	(<u>137,677</u>)
	3,700,712	3,819,110
Land	<u>724,476</u>	<u>724,476</u>
 Total	 <u>\$ 4,425,188</u>	 <u>\$ 4,543,586</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$132,119 and \$120,918, respectively.

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016

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 \$72,272 and \$64,056 as of December 31, 2017 and 2016, respectively. The changes in ending balances were comprised of the following:

	<u>2017</u>	<u>2016</u>
Contributions	\$ --	\$ 25
Interest and dividends	1,452	1,354
Unrealized gains	6,479	2,604
Realized gains	1,074	459
Administrative fees	(789)	(718)
 Total	 <u>\$ 8,216</u>	 <u>\$ 3,724</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>2017</u>	<u>2016</u>
Accrued vacation	\$ 17,052	\$ 16,082
Accrued payroll and taxes	30,429	32,614
Deferred revenue	<u>10,000</u>	<u>--</u>
 Total	 <u>\$ 57,481</u>	 <u>\$ 48,696</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 \$17,052 and \$16,082 at December 31, 2017 and 2016, 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, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016

NOTE 8 – Notes Payable

Notes payable consists of the following at December 31:

	2017	2016
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%	\$ 680,450	\$ 698,449
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%	380,547	1,598,153
	1,060,997	2,296,602
Less current portion	(19,038)	(18,111)
Total	\$ 1,041,959	\$ 2,278,491

Future maturities of the notes payable are as follows:

For the year ending December 31,

2018	19,038
2019	400,559
2020	21,036
2021	22,112
2022	23,243
Thereafter	575,009
Total	\$ 1,060,997

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.

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

	2017	2016
Eco House	\$ 1,139,796	\$ 733,158
Program administration and supplies	125,417	111,676
Administrative support and supplies	56,583	33,991
Total	\$ 1,321,796	\$ 878,825

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
WITH SUMMARY COMPARATIVE INFORMATION FOR 2016

NOTE 10 – Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Program administration and supplies	\$ 70,833	\$ 20,833
Social work services	--	10,000
Eco House capital campaign pledges receivable	<u>109,000</u>	<u>1,160,000</u>
Total	<u>\$ 179,833</u>	<u>\$ 1,190,833</u>

NOTE 11 – 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, 2017 and 2016, 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 County of Los Angeles made up 100% of accounts receivable at December 31, 2017. Revenues receivable from the U.S. Department of Housing and Urban Development made up approximately 90% of accounts receivable at December 31, 2016.

Pledges Receivable

Revenue receivable from one individual for the Eco House capital campaign made up approximately 92% of pledges receivable at December 31, 2017.

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.

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NOTE 11 – Concentrations *(continued)*

Revenues

Revenues provided through programs funded by the California Department of Education, County of Los Angeles, and the U.S. Department of Housing and Urban Development made up approximately 25%, 19%, and 11%, respectively, of the Organization's total support and revenue for the year ended December 31, 2017.

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.

NOTE 12 – Related Party Transactions

The Organization has a note payable, bearing interest at 2%, due to a former member of the Board of Directors, with a balance due of \$380,547 and 1,598,153 at December 31, 2017 and 2016, respectively. Principal and interest payments of \$1,217,606 and \$401,847 were made during the years ended December 31, 2017 and 2016, respectively. See Note 8.