Children Today

Fostering Stability & Success

FINANCIAL STATEMENTS

DECEMBER 31, 2019

WITH SUMMARY COMPARATIVE INFORMATION FOR 2018

CONTENTS

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, 2019, and the related statements of activities, functional expenses and cash flows 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, 2019, and the changes in its net assets, functional expenses and cash flows 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 19-48 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 April 6, 2020, 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, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

YH Advisors, Inc.

Huntington Beach, California
April 6, 2020

CHILDREN TODAY, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 622,918	$ 597,582
Accounts receivable	230,109	8,658
Contributions receivable, net	--	53,000
Prepaid expenses	2,395	3,426
Total Current Assets	855,422	662,666
PROPERTY AND EQUIPMENT, NET	4,179,226	4,297,640
OTHER ASSETS		
Beneficial interest in assets held by others	80,561	68,339
TOTAL ASSETS	$ 5,115,209	$ 5,028,645
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 5,301	$ 5,198
Accrued employee related expenses	46,068	47,751
Deferred revenue	5,000	7,000
Note payable, current portion	20,012	20,012
Note payable to related party, current portion	--	103,000
Total Current Liabilities	76,381	182,961
NON CURRENT LIABILITIES		
Note payable, net of current portion	621,589	641,505
TOTAL LIABILITIES	697,970	824,466
NET ASSETS		
Without donor restrictions		
Board designated for endowment purposes	35,000	35,000
Board designated for the Eco House	--	22,276
Undesignated	4,255,582	3,979,012
Total without donor restrictions	4,290,582	4,036,288
With donor restrictions	126,657	167,891
TOTAL NET ASSETS	4,417,239	4,204,179
TOTAL LIABILITIES AND NET ASSETS	$ 5,115,209	$ 5,028,645

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

CHILDREN TODAY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARY COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	December 31, 2019	December 31, 2018
REVENUE AND SUPPORT				
Government grants	$ 750,674	$ --	$ 750,674	$ 477,540
Contributions and grants	324,910	219,500	544,410	533,948
Capital campaign	--	--	--	971
In-kind contributions	56,121	--	56,121	46,073
Investment (loss) income, net	12,519	--	12,519	(3,577)
Other income	--	--	--	8,187
Net assets released from restrictions	260,734	(260,734)	--	--
	1,404,958	(41,234)	1,363,724	1,063,142
SPECIAL EVENTS				
Special events revenue	506,625	--	506,625	573,502
Special events expense	(261,466)	--	(261,466)	(301,574)
	245,159	--	245,159	271,928
TOTAL REVENUE AND SUPPORT	1,650,117	(41,234)	1,608,883	1,335,070
EXPENSES				
Program services	1,101,029	--	1,101,029	964,908
Supporting services:				
Management and general	231,515	--	231,515	284,731
Fundraising	63,279	--	63,279	59,907
TOTAL EXPENSES	1,395,823	--	1,395,823	1,309,546
CHANGE IN NET ASSETS	254,294	(41,234)	213,060	25,524
NET ASSETS AT BEGINNING OF YEAR	4,036,288	167,891	4,204,179	4,178,655
NET ASSETS AT END OF YEAR	$ 4,290,582	$ 126,657	$ 4,417,239	$ 4,204,179

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

CHILDREN TODAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARY COMPARATIVE TOTALS FOR 2018

	Program Services	Management and General	Fundraising	December 31, 2019	December 31, 2018
PERSONNEL EXPENSES					
Salaries and wages	$ 652,037	$ 98,577	$ 47,015	$ 797,629	$ 753,417
Employee benefits and taxes	112,700	22,150	8,793	143,643	125,512
TOTAL PERSONNEL EXPENSES	764,737	120,727	55,808	941,272	878,929
OTHER EXPENSES					
Advertising and promotion	1,667	--	--	1,667	4,323
Automobile	--	3,530	--	3,530	2,043
Bank and credit card fees	--	2,961	--	2,961	--
Depreciation	85,258	26,051	7,105	118,414	127,548
Dues and subscriptions	349	3,539	--	3,888	3,534
Food supplies	28,241	--	--	28,241	25,732
In-kind expense	56,121	--	--	56,121	46,073
Insurance	60,292	2,616	303	63,211	50,958
Interest expense	--	34,086	--	34,086	40,019
Meetings expense	411	3,326	--	3,737	7,113
Office supplies	434	3,041	--	3,475	4,452
Payroll service fees	--	1,606	--	1,606	9,937
Permits and licenses	1,195	646	--	1,841	1,429
Postage and delivery	--	414	--	414	545
Professional fees	--	20,485	--	20,485	19,750
Property taxes	751	229	63	1,043	4,464
Repairs and maintenance	51,117	1,664	--	52,781	35,943
Staff development	3,022	381	--	3,403	5,373
Supplies	27,469	21	--	27,490	20,243
Telephone and internet	5,096	2,170	--	7,266	7,883
Utilities	12,427	477	--	12,904	12,504
Other	2,442	3,545	--	5,987	751
TOTAL OTHER EXPENSES	336,292	110,788	7,471	454,551	430,617
TOTAL EXPENSES	$ 1,101,029	$ 231,515	$ 63,279	$ 1,395,823	$ 1,309,546

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

CHILDREN TODAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31, 2019	December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 213,060	$ 25,524
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	118,414	127,548
Change in value of beneficial interest in assets held by others	(12,222)	3,933
Discount on contributions receivable	--	(971)
Change in operating assets and liabilities:		
Accounts receivable	(221,451)	2,541
Contributions receivable, net	53,000	56,000
Prepaid expenses	1,031	(1,116)
Accounts payable and accrued expenses	103	(5,244)
Accrued employee related expenses	(1,506)	93
Accrued Interest	(177)	(478)
Deferred revenue	(2,000)	(3,000)
Net Cash Provided By Operating Activities	148,252	204,830
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on note payable	(19,916)	(18,933)
Repayments on note payable to related party	(103,000)	(277,547)
Net Cash Used In Financing Activities	(122,916)	(296,480)
NET CHANGE IN CASH AND CASH EQUIVALENTS	25,336	(91,650)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	597,582	689,232
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 622,918	$ 597,582
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 34,264	$ 40,496
Cash paid for income taxes	NONE	NONE
Noncash investing transactions	NONE	NONE
Noncash financing transactions	NONE	NONE

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

CHILDREN TODAY, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARY COMPARATIVE INFORMATION FOR 2018

NOTE 1 – Organization

Organization and Nature of Activities

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

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

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

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation of Financial Statements

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

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a full comparison of operations year over year. Accordingly, these comparative financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

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

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

Accounts Receivable

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

Contributions 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, 2019 and 2018, the Organization did not receive any conditional promises to give.

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 Organization (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.

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

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor or grantor restrictions. Some donor-imposed restrictions are temporary in nature, for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, for example stipulating that 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.

In-Kind Goods and Services

Contributed goods are recorded at fair value at the date of donation. During the years ended December 31, 2019 and 2018, contributed goods totaled $93,604 and $126,674, 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 special events.

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.

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

Advertising and Outreach Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising and outreach costs are charged to operations when incurred and during the years ended December 31, 2019 and 2018 totaled $1,667 and $4,323, respectively.

Income Tax Status

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

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

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 contributions receivable are considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations supportive of the mission.

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

Reclassifications

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

Accounting Pronouncements Adopted

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers, particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for nonpublic business entities for annual reporting periods beginning after December 15, 2018.

In June of 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this update are designed to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018.

Recent Accounting Pronouncements

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

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.* The amendments to Topic 820 makes changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. ASU 2018-13 is effective for nonpublic business entities for the annual reporting period beginning after December 15, 2019. The Organization is in the process of evaluating the impact of this statement and potential effects of the financial statements.

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

Subsequent Events

The Organization has evaluated subsequent events through April 6, 2020, the date the financial statements were issued for the year ended December 31, 2019. See Note 13.

NOTE 3 – Liquidity and Availability

Financial assets available within one year of the statement of financial position date for general expenditure are as follows as of December 31:

	2019	2018
Cash and cash equivalents	$ 622,918	$ 597,582
Accounts receivable	230,109	8,658
Contributions receivable	--	53,000
Beneficial interest in LBCF	80,561	68,339
Less: Board-designated quasi-endowment	(35,000)	(35,000)
Less: Board-designated funds for Eco-House	--	(22,276)
Less: Donor-restricted funds	(126,657)	(167,891)
Total	$ 771,931	$ 502,412

As part of the Organization's liquidity management plan, a portion of any operating surplus is maintained in the operating account.

NOTE 4 – Contributions Receivable

Contributions receivable are summarized as follows at December 31:

	2019	2018
Unconditional contributions expected to be collected in:		
Less than one year	$ --	$ 53,000
Greater than one year	--	--
	--	53,000
Less discounts to net present value	--	
Total	$ --	$ 53,000

The Organization did not have contributions receivable at December 31, 2019. There was no net present value discount deemed necessary by management at December 31, 2018 as all items were expected to be collected within one year. There was no allowance for doubtful accounts deemed necessary by management at December 31, 2019 or 2018.

NOTE 5 - 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 December 31, 2019 and 2018.

NOTE 5 - Fair Value Measurements and Disclosures *(continued)*

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2019:

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by others	$ 80,561	$ --	$ --	$ 80,561
Total	$ 80,561	$ --	$ --	$ 80,561

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2018:

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by others	$ 68,339	$ --	$ --	$ 68,339
Total	$ 68,339	$ --	$ --	$ 68,339

NOTE 6 – Property and Equipment

Property and equipment are summarized as follows at December 31:

	2019	2018
Furniture, fixtures and equipment	$ 126,344	$ 126,344
Automobile	30,470	30,470
Building	3,813,693	3,813,693
	3,970,507	3,970,507
Less accumulated depreciation	(515,757)	(397,343)
	3,454,750	3,573,164
Land	724,476	724,476
Total	$ 4,179,226	$ 4,297,640

Depreciation expense for the years ended December 31, 2019 and 2018 was $118,414 and $127,548, respectively.

NOTE 7 – Notes Payable

Notes payable consists of the following at December 31:

	2019	2018
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%	$ 641,601	$ 661,517
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%	--	103,000
	641,601	764,517
Less current portion	(20,012)	(123,012)
Total	$ 621,589	$ 641,505

For the year ending December 31,	
2020	20,012
2021	22,112
2022	23,243
2023	24,433
2024	25,683
Thereafter	526,118
Total	$ 641,601

NOTE 8 – Net Assets with Donor Restrictions

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

	2019	2018
Subject to expenditure for specified purpose:		
Program administration and supplies	$ 126,657	$ 114,891
Contributions receivable, the proceeds from which have been restricted by donors for Eco House	--	53,000
Total	$ 126,657	$ 167,891

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.

	2019	2018
Eco House	$ 53,000	$ 56,000
Program administration and supplies	196,911	133,319
Administrative support and supplies	10,823	56,623
Total	$ 260,734	$ 245,942

NOTE 9 – Concentrations

Contingencies

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

Accounts Receivable

Accounts receivable derived from two government grants made up 100% of accounts receivable at December 31, 2019. Accounts receivable derived from one government grant made up 100% of accounts receivable at December 31, 2018.

Contributions Receivable

The organization had no contributions receivable at December 31, 2019. Contributions receivable from one individual for the Eco House capital campaign made up approximately 94% of contributions receivable at December 31, 2018.

NOTE 9 – Concentrations *(continued)*

Revenue

Revenue provided through programs funded by the California Department of Education made up approximately 45% of the Organization's total support and revenue for the years ended December 31, 2019 and 2018.

NOTE 10 – Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural and functional classification detail of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, repairs and maintenance, and depreciation which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, office expenses, information technology, meetings, insurance, permits and licenses, training and development, and other, which are allocated on the basis of estimates of time and effort.

NOTE 11 – Employee Benefits

The organization sponsors a profit sharing plan (the Plan) qualified under IRC Section 401(k) covering substantially all full-time employees. The Plan provides that employees who have attained the age of 21 and completed one year of service may voluntarily contribute from 0 to 92 percent of their earnings to the Plan, up to the maximum annual contribution allowed by the IRS. During the years ended December 31, 2019 and 2018, the organization did not offer an employer match program, resulting in zero expense related to the Plan.

NOTE 12 – Related Party Transactions

The Organization had a note payable, bearing interest at 2%, due to a former member of the Board of Directors, with a balance due of $103,000 at December 31, 2018. The note was paid in full during the year ended December 31, 2019. Principal and interest payments of $103,000 and $277,547 were made during the years ended December 31, 2019 and 2018, respectively. See Note 7.

NOTE 13 – Subsequent Events

Our programs and operations may be adversely affected by health epidemics including the recent coronavirus outbreak. In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California, where we are headquartered, have declared a state of emergency.

Potential impacts to our programs and operations include disruptions or restrictions on our employees' ability to work. Temporary closure of our EcoHouse facility to abide by the Safer at Home mandate issued by the Governor of California has meant a disruption in child care and preschool services to enrolled families. COVID-19 could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect funding streams. Any of the foregoing could harm our organization and we cannot anticipate all of the ways in which health epidemics such as COVID-19 could impact our business model.

The Organization has applied for various emergency funding grants and low-cost loans. As of the date of issuance, there is not a known amount that will be awarded.

Although we are continuing to monitor and assess the effects of the COVID-19 pandemic on our organization, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.