

UNITED FRIENDS OF THE CHILDREN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016

UNITED FRIENDS OF THE CHILDREN
CONTENTS
June 30, 2016

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 17

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Friends of the Children
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of United Friends of the Children (the "Organization"), which comprise the statement of financial position as of June 30, 2016, 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers 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.

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

To the Board of Directors
United Friends of the Children
Page Two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Friends of the Children as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Singer Lewak LLP

October 18, 2016

UNITED FRIENDS OF THE CHILDREN
STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS

Assets

Cash and cash equivalents	\$ 822,293
Grants and pledges receivable, net	3,003,103
Investments	3,442,412
Beneficial interest in California Community Foundation	778,308
Furniture and equipment, net of accumulated depreciation of \$1,150,772	67,714
Prepaid expenses and other assets	<u>102,990</u>

Total assets \$ 8,216,820

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and other liabilities	\$ 551,157
Line of credit	450,000
Deferred revenue	<u>20,000</u>

Total liabilities 1,021,157

Commitments (Note 6)

Net assets

Unrestricted	2,476,574
Temporarily restricted	<u>4,719,089</u>

Total net assets 7,195,663

Total liabilities and net assets \$ 8,216,820

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

UNITED FRIENDS OF THE CHILDREN

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Contributions	\$ 1,494,891	\$ 4,178,292	\$ 5,673,183
Special event revenue, net of direct costs of \$385,103	1,319,958	-	1,319,958
Program income	392	-	392
Contributed services	1,144,824	-	1,144,824
Investment loss, net	(106,162)	-	(106,162)
Net assets released from restrictions	<u>3,239,042</u>	<u>(3,239,042)</u>	<u>-</u>
Total revenue and support	<u>7,092,945</u>	<u>939,250</u>	<u>8,032,195</u>
Functional expenses			
Program services	7,176,191	-	7,176,191
Supporting services	635,033	-	635,033
Fundraising	<u>561,960</u>	<u>-</u>	<u>561,960</u>
Total functional expenses	<u>8,373,184</u>	<u>-</u>	<u>8,373,184</u>
Change in net assets	(1,280,239)	939,250	(340,989)
Net assets, beginning of year	<u>3,756,813</u>	<u>3,779,839</u>	<u>7,536,652</u>
Net assets, end of year	<u>\$ 2,476,574</u>	<u>\$ 4,719,089</u>	<u>\$ 7,195,663</u>

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

UNITED FRIENDS OF THE CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services	Supporting Services	Fundraising	Total
Personnel expenses				
Salaries	\$ 2,827,805	\$ 318,798	\$ 376,014	\$ 3,522,617
Payroll taxes and benefits	418,232	57,876	50,866	526,974
Total personnel expenses	<u>3,246,037</u>	<u>376,674</u>	<u>426,880</u>	<u>4,049,591</u>
Other expenses				
Career development and internships	95,774	-	-	95,774
Consulting services	102,991	34,908	75,390	213,289
Depreciation	71,304	7,923	-	79,227
Education	838,635	-	-	838,635
Fundraising	-	-	8,916	8,916
Furniture and appliances	99,141	4,584	203	103,928
Insurance	52,986	52,827	-	105,813
Marketing	13,562	13,393	13,393	40,348
Office expense	220,059	38,360	7,025	265,444
Parking	38,511	6,125	2,628	47,264
Professional development	19,781	525	210	20,516
Professional services	46,346	46,346	-	92,692
Program evaluation	17,101	-	-	17,101
Property management	365,974	-	-	365,974
Rent expense	1,372,197	35,784	15,352	1,423,333
Repairs and maintenance	125,902	9,159	3,929	138,990
Staff and board expenses	2,365	8,425	8,034	18,824
Youth services and assistance	447,525	-	-	447,525
Total other expenses	<u>3,930,154</u>	<u>258,359</u>	<u>135,080</u>	<u>4,323,593</u>
Total functional expenses	<u>\$ 7,176,191</u>	<u>\$ 635,033</u>	<u>\$ 561,960</u>	<u>\$ 8,373,184</u>

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

UNITED FRIENDS OF THE CHILDREN

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2016

Cash flows from operating activities	
Change in net assets	\$ (340,989)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Realized and unrealized loss on investments, net	177,028
Dividends, interest and custodial fees, net, reinvested in investments	(45,498)
Depreciation expense	79,227
Changes in operating assets and liabilities:	
Grants and pledges receivable	(1,246,367)
Prepaid expenses and other assets	(8,510)
Accounts payable and accrued liabilities	126,883
Deferred revenue	<u>(60,000)</u>
Net cash used in operating activities	<u>(1,318,226)</u>
Cash flows from investing activities	
Proceeds received from sale of investments	1,065,088
Purchases of furniture and equipment	<u>(20,548)</u>
Net cash provided by investing activities	<u>1,044,540</u>
Cash flows from financing activities	
Net borrowings from line of credit	<u>450,000</u>
Net increase in cash and cash equivalents	176,314
Cash and cash equivalents, beginning of year	<u>645,979</u>
Cash and cash equivalents, end of year	<u>\$ 822,293</u>

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

UNITED FRIENDS OF THE CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 – GENERAL

Organization

United Friends of the Children (“UFC” or the “Organization”) is a nonprofit organization dedicated to bettering the lives of foster children. UFC empowers current and former foster youth on their journey to self-sufficiency through service-enriched education and housing programs, advocacy and consistent relationships with a community of people who care.

For over 35 years, UFC has provided in-depth services designed specifically to help current and former foster youth become successfully independent after they leave the foster care system. Today, UFC offers three core programs. Pathways to Independence provides transition-aged foster youth (18 – 24 years old) with quality housing and intensive supportive services in a program model that requires increasing levels of personal responsibility and initiative. The Pathways program consists of twelve housing sites with a total occupancy of 120 youth. UFC’s College Readiness Program prepares and inspires middle and high school aged foster youth to graduate from high school ready to succeed at four-year universities. UFC will serve 500 youth in the Readiness program during the 2016 – 2017 school year. UFC’s College Sponsorship Program offers personal, educational and financial support to help students successfully complete a bachelor’s degree. During the year ending June 30, 2017, 200 scholars will participate in the Sponsorship program. Through its programs and wide-sweeping special events, UFC is working to change the face of foster care.

Funding

The Organization raises funds primarily through contributions from foundations, corporations and individual donors. The Organization has also received grants from the U.S. Department of Housing and Urban Development (“HUD”), the County of Los Angeles Transitional Housing Program Plus (“THP+”) and the Los Angeles Homeless Services Authority (“LAHSA”).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Classes of Net Assets

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives.

UNITED FRIENDS OF THE CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Net Assets (Continued)

Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- *Unrestricted* - These generally result from revenues generated by receiving unrestricted contributions, providing services and receiving interest from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions.
- *Temporarily Restricted* - The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished—temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from program restrictions.
- *Permanently Restricted* - These net assets are received by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. At June 30, 2016, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

The Organization defines a cash equivalent as any investment with an original maturity at purchase of three months or less.

Contributions and Pledges

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional contributions are recorded as support in the period in which the condition is met. Such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the restriction, usually when the funds are spent.

Unconditional promises to give that are expected to be collected in future periods are recorded at net present value. The discount rates used during the year ended June 30, 2016 ranged from 0.56% to 1.41%, which was based upon the treasury rates at the date of contribution.

Grant Revenue

The Organization receives governmental funding from federal, county and local sources. The funding is under cost reimbursement arrangements or based on bed occupancy.

UNITED FRIENDS OF THE CHILDREN

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Event Revenue

Revenues from special events include sponsorships, ticket sales and donations. Sponsorship and ticket sales are recognized in the period in which the event occurs. During the year ended June 30, 2016, direct expenses totaling \$385,103 are shown net of special event revenue.

Contributed Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop and implement the Organization's programs. The value of this contributed time is not reflected in these statements, since it is not susceptible to objective measurement of valuation. The Organization maintains several agreements with the Community Development Commission of the County of Los Angeles to lease a 20-unit apartment complex and ten other smaller apartment units on a long-term basis at a rate of \$1 per year.

These agreements are revocable by the County of Los Angeles and/or are conditional upon annual inspections and ongoing maintenance. Management has estimated that the total fair market value of the rent was \$1,132,956 for the year ended June 30, 2016.

The Organization also has a lease agreement for a satellite space for which a portion of the monthly rent payment is abated upon maintaining certain performance criteria. During the year ended June 30, 2016, the Organization recognized \$11,868 under contributed services in the accompanying statement of activities.

Investments

The Organization accounts for its investments at fair value, as determined by quoted market prices. Interest and dividends consist primarily of earnings on investments and are included in "investment loss, net" in the accompanying statement of activities. Unrealized gains and losses on investments are also included in "investment loss, net" in the accompanying statement of activities. Investments at June 30, 2016 consisted of fixed income investment-grade diversified bond funds and equity mutual funds.

Furniture and Equipment

Furniture and equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets of three years. Certain furniture with an estimated useful life of less than one year is expensed.

UNITED FRIENDS OF THE CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-lived Assets

The Organization accounts for its long-lived assets with definite useful lives in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“Codification” or “ASC”) No. 360, “Accounting for the Impairment or Disposal of Long-lived Assets.” Long-lived assets, such as furniture and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require that a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value.

Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recognized during the year ended June 30, 2016.

Fair Value of Financial Instruments

FASB ASC Topic No. 820, “Fair Value Measurements and Disclosures” (“ASC 820”) establishes a three-level valuation hierarchy of valuation techniques that is based on observable and unobservable inputs. Classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement. The first two inputs that may be used to measure fair value are considered observable and the last unobservable; they include the following:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

In accordance with ASC 820, the Organization has classified all of its cash and cash equivalents and investments in the Level 1 fair value hierarchy measured at fair value on a recurring basis at June 30, 2016.

The carrying value of the Organization’s beneficial interest in California Community Foundation is based on unobservable inputs. As such, the Organization’s beneficial interest in California Community Foundation is classified within Level 3 of the valuation hierarchy.

UNITED FRIENDS OF THE CHILDREN

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Organization is classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. Accordingly, a provision for federal or state income taxes has not been made in the accompanying financial statements.

The Organization also applies the provisions of FASB ASC Topic No. 740, “Accounting for Uncertainty in Income Taxes” (“ASC 740”). ASC 740 clarifies for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with FASB Statements No. 109, “Accounting for Income Taxes” and prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return. In accordance with ASC 740, the Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization has determined that there are no unrecognized tax benefits.

The Organization’s income tax returns remain subject to examination for all tax years ended on or after June 30, 2012 with regard to all tax positions and the results reported.

Functional Allocation of Expenses

Expenses are charged to each program based on direct expenditures incurred. Expenditures not directly chargeable to a program are charged to supporting services.

Concentrations of Credit Risk

Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash, grants and pledges receivable and investments.

Cash and cash equivalents are placed with high-credit, quality financial institutions. At times, such investment balances may be in excess of the Federal Deposit Insurance Corporation insurance limit of \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

With respect to grants and pledges receivable, the Organization routinely assesses the probability of collection and, as a consequence, believes that the receivable credit risk exposure is limited.

Investments are subject to certain risks, such as market fluctuations and changes in interest rates, which could result in losses in the event of adverse economic circumstances. The Organization attempts to limit its credit risk associated with its investments through diversification and by utilizing the expertise and processes of an outside investment manager.

UNITED FRIENDS OF THE CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”), that simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Management is in the process of evaluating the impact of ASU 2016-14 on the Organization’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The standard is effective on July 1, 2020, with early adoption permitted. Management is in the process of evaluating the impact of ASU 2016-02 on the Organization’s financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”), which updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 will be effective for the Organization for fiscal years beginning after December 15, 2018. Management is in the process of evaluating the impact of ASU 2016-01 on the Organization’s financial statements. The Organization elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

UNITED FRIENDS OF THE CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. Management has not yet selected a transition method and is currently evaluating the impact of ASU 2014-09 on the Organization's financial statements.

NOTE 3 – GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable at June 30, 2016 consisted of the following:

Foundations and other grants receivable	\$ 2,600,916
Governmental	<u>422,005</u>
Total grants and pledges receivable	3,022,921
Less discount to reflect grants and pledges receivable at present value	<u>19,818</u>
Grants and pledges receivable, net	<u>\$ 3,003,103</u>

UNITED FRIENDS OF THE CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 – GRANTS AND PLEDGES RECEIVABLE (Continued)

Foundation and other grants receivable are deemed to be fully collectible by management within one to three years and are comprised of the following amounts as of June 30, 2016:

	Less than <u>1 Year</u>	<u>2 – 3 Years</u>	<u>Total</u>
Theodore J. Forstmann Charitable Trust	\$ 500,000	\$ 1,000,000	\$ 1,500,000
California Community Foundation	40,000	80,000	120,000
Krishna and Bob Daly Jr. Foundation	50,000	200,000	250,000
Other donations	<u>730,916</u>	<u>-</u>	<u>730,916</u>
Total	<u>\$ 1,320,916</u>	<u>\$ 1,280,000</u>	<u>\$ 2,600,916</u>

During the year ended June 30, 2016, the Organization also accrued governmental grant revenue due from HUD in the amount of \$110, 106, which is expected to be fully received in the next year. In addition, the Organization has grant receivables in the amount of \$285,499 and \$26,400 due from LAHSA and from THP+, respectively. The entire amounts are expected to be fully received in the next year.

NOTE 4 – INVESTMENTS AND BENEFICIAL INTEREST IN CALIFORNIA COMMUNITY FOUNDATION

The Organization's investments and beneficial interest in California Community Foundation consisted of the following at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Bond funds	\$ 370,992	\$ -	\$ -	\$ 370,992
Stock funds	3,071,420	-	-	3,071,420
Beneficial interest in California Community Foundation	<u>-</u>	<u>-</u>	<u>778,308</u>	<u>778,308</u>
Total financial assets	<u>\$ 3,442,412</u>	<u>\$ -</u>	<u>\$ 778,308</u>	<u>\$ 4,220,720</u>

The Organization has entered into agreements with the California Community Foundation (the "Foundation") whereby the Foundation holds investment funds (the "Funds") for the Organization to be used for various purposes. The Organization is named as the beneficiary of the Funds and receives income earned on the Funds. The Foundation has the discretion to distribute the Funds and any future earnings for broad charitable uses and purposes of the Organization.

UNITED FRIENDS OF THE CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 4 – INVESTMENTS AND BENEFICIAL INTEREST IN CALIFORNIA COMMUNITY FOUNDATION
(Continued)

The Organization's beneficial interest in California Community Foundation is classified within Level 3 of the valuation hierarchy:

Balance, beginning of year	\$ 1,201,446
Withdrawals	(365,242)
Realized and unrealized losses, net	(63,690)
Dividends, interest and custodian fees, net	<u>5,794</u>
Balance, end of year	<u>\$ 778,308</u>

The valuation technique used to measure the fair value of the California Community Foundation is as follows:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in California Community Foundation	\$ 778,308	Sales- Comparison Approach	Market- Comparable Rates	Audited Balances Contractual Value

NOTE 5 – LINE OF CREDIT

On December 22, 2015, the Organization extended its credit agreement with a financial institution for a line of credit of \$1,000,000. The agreement expires on January 5, 2017. At June 30, 2016, \$450,000 is outstanding against the line of credit. The effective interest rate at June 30, 2016 was the bank's prime rate of 3.5% plus 0.5%. The credit agreement includes financial covenants, with which the Organization was in compliance as of June 30, 2016. The line of credit is collateralized by all the assets of the Organization.

NOTE 6 – COMMITMENTS

The Organization leases its office space under a noncancelable operating lease agreement that expires in March 2018.

UNITED FRIENDS OF THE CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6 – COMMITMENTS (Continued)

The future minimum annual rental commitments under this lease at June 30, 2016 were as follows:

Year Ending <u>June 30,</u>	
2017	\$ 274,607
2018	<u>230,164</u>
Total	<u>\$ 504,771</u>

Total rent expense, including donated rent (see Note 2, Contributed Services) for the year ended June 30, 2016, amounted to \$1,423,333.

NOTE 7 – RETIREMENT PLAN

The Organization maintains a defined-contribution plan that covers all employees. The plan is qualified under Section 403(b) of the Internal Revenue Code and provides that all employees may voluntarily become participants on their dates of hire. Participants can contribute up to the IRS allowable maximum contribution limit of their salaries to the plan; however, the Organization does not make matching contributions.

Effective January 1, 2006, the Organization established a policy in which all regular full-time exempt and non-exempt employees are eligible to receive a defined contribution of \$350 per month, which they can use to pay for health benefits. The unused portion of the \$350, to a maximum of \$200, can be contributed to their 403(b) accounts. Contributions for the year ended June 30, 2016 totaled \$16,517.

NOTE 8 – RELATED PARTIES

During the year ended June 30, 2016, the Organization received a total of \$959,272 in contributions from members of the Organization's board of directors. As of June 30, 2016, \$264,665 of gifts and pledges were included in grants and pledges receivable.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 18, 2016, which is the date the financial statements were available to be issued. Management has determined there have been no subsequent events that impact the financial statements.

UNITED FRIENDS OF THE CHILDREN
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 were available for the following purposes:

	Available June 30, 2015	New Revenue and Support, Net	Net Assets Released from Restrictions	Available June 30, 2016
Transitional housing programs				
Albert & Elaine Borchard Foundation	\$ -	\$ 10,000	\$ -	\$ 10,000
Angell Foundation	24,814	-	(24,814)	-
California Wellness Foundation	-	300,000	(45,000)	255,000
Carrie Estelle Foundation	-	7,000	(7,000)	-
Chuck Lorre Family Foundation	127	-	(127)	-
Employees Community Fund of Boeing CA	4,274	-	(4,274)	-
Maintenance Reserve	179,288	-	-	179,288
Mark Hughes Foundation	-	20,000	-	20,000
May and Stanley Smith Charitable Trust	99,327	-	(99,327)	-
Pathways general contributions	115,381	27,402	-	142,783
Ralph M Parson Foundation	-	75,000	(75,000)	-
Sawchuk Family Foundation	-	15,000	-	15,000
Education programs				
General Education Campaign	-	433,390	(433,390)	-
Marclad Foundation	-	50,000	(50,000)	-
Joseph Drown Foundation	-	50,000	(50,000)	-
RGK Foundation	-	35,000	(34,822)	178
The Thomas and Dorothy Leavey Foundation	-	25,000	(25,000)	-
WM Keck Foundation	-	300,000	-	300,000
Sponsorship Funds	1,201,447	-	(423,136)	778,311
California Community Foundation	56,886	185,000	(18,886)	223,000
Carl & Roberta Deutsch Foundation	4,300	110,000	(36,317)	77,983
CCF/Los Angeles Scholars Fund	196,636	-	(58,674)	137,962
City National Bank	-	15,000	(15,000)	-
College Access Foundation of CA	165,171	-	(55,422)	109,749
Conrad N Hilton Foundation	1,240,484	-	(546,552)	693,932
David Vickter Foundation	2,000	75,000	(77,000)	-
Dwight Stuart Youth Fund	-	30,000	(30,000)	-
Edison International	-	20,000	(20,000)	-
Nesbitt Foundation	2,000	50,000	(52,000)	-
The Eisner Foundation	100,000	-	(100,000)	-
The Rosalinde and Arthur Gilbert Foundation	722	50,000	(49,069)	1,653
Theodore J. Forstmann Charitable Trust	-	2,000,000	(500,000)	1,500,000
United Way Inc	-	30,000	(30,000)	-
Wyss Foundation	-	2,500	(2,500)	-
General support				
BCM Foundation	49,191	-	(49,191)	-
Frieda C Fox Family Foundation	-	3,750	(3,750)	-
Hilda & Preston Davis Foundation	-	25,000	(25,000)	-
In-N-Out Burger Foundation	-	5,000	(5,000)	-
J.B. & Emily Van Nuys Charities	8,507	-	(8,507)	-
Josephine S Gumbiner Foundation	10,000	-	(10,000)	-
The Green Foundation	-	25,000	(25,000)	-
The Rose Hills Foundation	-	150,000	-	150,000
The Sharon D Lund Foundation	-	30,000	(30,000)	-
The William and Flora Hewlett Foundation	225,411	-	(125,411)	100,000
Advanced contributions	93,873	24,250	(93,873)	24,250
Total	\$ 3,779,839	\$ 4,178,292	\$ (3,239,042)	\$ 4,719,089