UNITED FRIENDS OF THE CHILDREN

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

UNITED FRIENDS OF THE CHILDREN

CONTENTS

June 30, 2018 and 2017

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Friends of the Children

Report on the Financial Statements
We have audited the accompanying financial statements of United Friends of the Children (the "Organization"), which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years 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 Organization'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 Organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018 and 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2017, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

November 6, 2018

UNITED FRIENDS OF THE CHILDREN

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 195,078	$ 961,641
Investments	3,231,764	3,029,494
Grants and contributions receivable, net	3,607,371	2,269,847
Prepaid expenses and other assets	163,491	105,995
Beneficial interest in California Community Foundation	730,530	768,731
Furniture and equipment, net of accumulated depreciation of $1,227,420 and $1,200,463, respectively	48,284	42,741
Total assets	**$ 7,976,518**	**$ 7,178,449**
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other liabilities	$ 603,612	$ 550,296
Line of credit	750,000	-
Total liabilities	1,353,612	550,296
Net assets		
Unrestricted	1,343,884	1,173,824
Temporarily restricted	5,279,022	5,454,329
Total net assets	6,622,906	6,628,153
Total liabilities and net assets	**$ 7,976,518**	**$ 7,178,449**

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

UNITED FRIENDS OF THE CHILDREN

STATEMENTS OF ACTIVITIES

June 30, 2018 and 2017

(with Summarized Comparative Financial Information)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and support				
Contributions	$ 1,688,140	$ 3,346,299	$ 5,034,439	$ 4,577,455
Special event revenue, net	1,373,428	-	1,373,428	1,172,397
Contributed legal services	247,303	-	247,303	211,000
Program income	461	-	461	430
Donated use of facility	1,275,996	-	1,275,996	1,186,548
Rent revenue	11,584	-	11,584	30,883
Investment income, net	303,520	-	303,520	410,062
Net assets released from restrictions	3,521,606	(3,521,606)	-	-
Total revenue and support	8,422,038	(175,307)	8,246,731	7,588,775
Expenses				
Program services	6,786,838	-	6,786,838	6,954,592
General and administrative	678,872	-	678,872	754,271
Fundraising	786,268	-	786,268	447,422
Total expenses	8,251,978	-	8,251,978	8,156,285
Change in net assets	170,060	(175,307)	(5,247)	(567,510)
Net assets, beginning of year	1,173,824	5,454,329	6,628,153	7,195,663
Net assets, end of year	**$ 1,343,884**	**$ 5,279,022**	**$ 6,622,906**	**$ 6,628,153**

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

UNITED FRIENDS OF THE CHILDREN
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2018 and 2017
(with Summarized Comparative Financial Information)

	2018				
	Program Services	General and Administrative	Fundraising	Total	2017 Total
Personnel expenses					
Salaries	$ 2,552,575	$ 287,994	$ 478,043	$ 3,318,612	$ 3,450,557
Payroll taxes and benefits	420,433	50,955	62,433	533,821	527,738
Total personnel expenses	2,973,008	338,949	540,476	3,852,433	3,978,295
Other expenses					
Bad debt	-	16,332	-	16,332	-
Career development and internships	36,984	-	-	36,984	55,036
Consulting services	47,888	15,188	111,625	174,701	169,008
Depreciation	20,735	2,339	3,883	26,957	49,691
Donated legal services	123,652	123,651	-	247,303	211,000
Donated rent	1,275,996	-	-	1,275,996	1,186,548
Education	643,462	-	-	643,462	780,068
Fundraising	-	-	20,920	20,920	9,830
Fundraising cost of services	-	-	298,852	298,852	385,746
Furniture and appliances	32,274	5,357	-	37,631	35,677
Insurance	65,846	7,429	12,331	85,606	88,292
Marketing	14,051	653	1,716	16,420	21,630
Office expense	152,538	13,165	29,144	194,847	194,193
Parking	31,327	3,534	5,867	40,728	46,534
Professional development	10,374	14,333	2,099	26,806	15,900
Professional services	106,076	106,077	-	212,153	77,721
Program evaluation	33,204	-	-	33,204	4,900
Property management	456,659	-	-	456,659	414,953
Rent expense	246,475	22,530	37,398	306,403	252,848
Repairs and maintenance	63,748	6,188	10,271	80,207	62,868
Staff and board expenses	46,782	3,147	10,538	60,467	49,589
Youth services and assistance	405,759	-	-	405,759	451,704
Total other expenses	3,813,830	339,923	544,644	4,698,397	4,563,736
Less expenses included with revenues on the Statement of Activities					
Fundraising cost of services	-	-	(298,852)	(298,852)	(385,746)
Total expenses included in the expense section of the Statement of Activities	**$ 6,786,838**	**$ 678,872**	**$ 786,268**	**$ 8,251,978**	**$ 8,156,285**
Percentage of Total Expenses	**82.3%**	**8.2%**	**9.5%**	**100.0%**	

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

UNITED FRIENDS OF THE CHILDREN

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (5,247)	$ (567,510)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized gains on investments, net	(277,374)	(348,411)
Depreciation expense	26,957	49,691
Discount on grants and contributions receivable	7,142	18,733
Bad debt expense	16,332	-
Change in allowance for doubtful accounts	27,870	-
Changes in operating assets and liabilities:		
Grants and contributions receivable	(1,388,868)	714,523
Prepaid expenses and other assets	(57,496)	(3,005)
Accounts payable and accrued liabilities	53,316	(861)
Deferred revenue	-	(20,000)
Net cash used in operating activities	(1,597,368)	(156,840)
Cash flows from investing activities		
Proceeds from sale of investments	22,936	981,429
Purchases of investments	(9,631)	(210,523)
Purchases of furniture and equipment	(32,500)	(24,718)
Proceeds from California Community Foundation	100,000	-
Net cash provided by investing activities	80,805	746,188
Cash flows from financing activities		
Proceeds from line of credit	750,000	(450,000)
Net decrease in cash and cash equivalents	(766,563)	139,348
Cash and cash equivalents, beginning of year	961,641	822,293
Cash and cash equivalents, end of year	**$ 195,078**	**$ 961,641**
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 18,766**	**$ -**

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

NOTE 1 – GENERAL

Organization

United Friends of the Children ("United Friends" or the "Organization") is a nonprofit organization dedicated to bettering the lives of foster children. United Friends 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 the past 40 years, United Friends 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, United Friends offers two core programs. Pathways to Independence provides transition-aged (18–24 years old), former foster youth 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 eleven housing sites, with a total occupancy of 107 youth. United Friends Scholars Program prepares and supports middle and high school, and college youth on their journeys to and through a college degree. With personal, educational, and financial support services, the United Friends Scholars Program is expected to serve 700 youth during the 2018–2019 school year. Through its programs and wide-sweeping special events, United Friends is working successfully to increase the educational and housing outcomes of youth in Los Angeles' foster care system.

Funding

The Organization raises funds primarily through contributions from foundations, corporations, and individual donors. The Organization is also a recipient of numerous government contracts with 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 (U.S. GAAP).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as follows:

- *Unrestricted* – Net assets that are not subject to donor-imposed restrictions that may be expendable for any purpose in performing the primary objectives of the Organization.

- *Temporarily Restricted* – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

- *Permanently Restricted* – Net assets subject to donor-imposed restrictions requiring that the amounts contributed be invested in perpetuity. The investment income generated from these funds is available for general support of the Organization's programs and operations. The Organization does not have any permanently restricted net assets as of June 30, 2018 and 2017.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for, nor restricted by, donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Contributions

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 rate used during the year ended June 30, 2018, was 2%. The discount rates used during the year ended June 30, 2017, ranged from 0.56% to 1.5%.

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. Revenue is recorded as expenses are incurred or the service is provided.

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 years ended June 30, 2018 and 2017, direct benefits to donors totaling $298,852 and $385,746, respectively, 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 on valuation.

The Organization also received donated legal services from a related party during the years ended June 30, 2018 and 2017, totaling $247,303 and $211,000, respectively, which are reflected in these statements since these services require specialized skills, and the fair value can be easily determined.

Contributed Rent

Contributions of donated noncash assets are recorded at their fair value in the period in which they are received.

Investments

Investments in mutual funds are measured at fair value in the accompanying statement of financial position. Investment income (including interest and dividends) and unrealized gains and losses have been reflected in the statement of activities as increases or decreases in unrestricted net assets, unless their use has been temporarily restricted by donors.

Beneficial Interest in California Community Foundation

The Organization has entered into an irrevocable agreement with California Community Foundation (the “Foundation”), whereby the Foundation has established a United Friends of the Children Fund (the “Fund”) to be used for philanthropic purposes. The Organization is named as the beneficiary of the Fund in the agreement with the Foundation, and the Foundation has discretion to distribute the Fund and any future earnings for broad charitable uses and purposes of the Organization.

The Organization’s beneficial interest in the perpetual trust is maintained as a temporarily restricted net asset instead of a permanently restricted net asset.

Furniture and Equipment

Furniture and equipment are 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 years ended June 30, 2018 and 2017.

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 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.

Functional Allocation of Expenses
Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management.

Concentrations of Credit Risk
Financial instruments that potentially expose the Organization to concentrations of credit risk consist primarily of cash, grants and contributions 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 contributions receivable, the Organization routinely assesses the probability of collection and, as a consequence, believes that the receivable credit risk exposure is limited.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk (Continued)
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.

Recently Issued Accounting Pronouncements
In May 2014, the FASB issued ASU 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. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities*, which 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. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Organization beginning January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)
In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance clarifies what an exchange transaction is, of which revenues would be reported under Topic 606, and what a contribution reported under Topic 958 is. The new guidance establishes a three-step process for the not-for-profit to walk through, in order to determine what type of transaction transpired, first, by determining if the transaction is an exchange, third-party payer, or a contribution. An exchange is where commensurate value is received by the resource provider and a recipient. If the transaction is nonreciprocal (i.e., a contribution), the recipient would apply contribution guidance. Second, if the not-for-profit has determined the transaction is a contribution, it has to determine if it is conditional or unconditional. Third, if a contribution is unconditional, it has to determine if it is restricted or unrestricted. ASU 2018-08 is effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

NOTE 3 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30, 2018 and 2017, are expected to be collected as follows:

	2018	2017
Due in less than 1 year	$ 2,627,448	$ 1,378,580
Due in 1–5 years	1,050,000	910,000
Total grants and contributions receivable	3,677,448	2,288,580
Less present value discount	(25,875)	(18,733)
Less allowance for doubtful accounts	(44,202)	-
Total	**$ 3,607,371**	**$ 2,269,847**

NOTE 4 – FAIR VALUE MEASURMENTS AND DISCLOSURES

The Organization reports certain assets and liabilities as fair value in the financial statements. U.S. GAAP defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction in the principal, or 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 asset or liability, 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 asset or liability 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 or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develop inputs using the best information available in the circumstances.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, which is the Organization's policy. For the years ended June 30, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following is a description of the valuation methodologies used for instruments measured at fair value:

- *Mutual funds* – The fair value of these investments is the market value based on quoted market prices. They are classified within Level 1 of the fair value hierarchy.

NOTE 4 – FAIR VALUE MEASURMENTS AND DISCLOSURES (Continued)

The following table summarizes the Organization's investments measured at fair value on a recurring basis at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	$ 3,231,764	$ -	$ -	$3,231,764
Beneficial interest in California Community Foundation	-	-	730,530	730,530
Total investments	**$ 3,231,764**	**$ -**	**$ 730,530**	**$3,962,294**

The following table summarizes the Organization's investments measured at fair value on a recurring basis at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds	$ 3,029,494	$ -	$ -	$3,029,494
Beneficial interest in California Community Foundation	-	-	768,731	768,731
Total investments	**$ 3,029,494**	**$ -**	**$ 768,731**	**$3,798,225**

The beneficial interest in the California Community Foundation is classified within Level 3 since there are no active markets for these investments, and therefore, the Organization is unable to obtain independent valuations from market sources.

For the years ended June 30, 2018 and 2017, the changes in investments and financial assets classified as Level 3 are as follows:

	2018	2017
Balance, beginning of year	$ 768,731	$ 778,308
Withdrawals	(100,000)	(100,000)
Realized and unrealized gains, net	65,691	94,244
Investment management fees	(3,892)	(3,821)
Balance, end of year	**$ 730,530**	**$ 768,731**

NOTE 4 – FAIR VALUE MEASURMENTS AND DISCLOSURES (Continued)

The following table represents the Organization's Level 3 financial assets, the valuation techniques used to measure the fair value of the financial assets, and the significant unobservable inputs and the ranges of values for those inputs as of June 30, 2018:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in California Community Foundation	$ 730,530	Sales-comparison Approach	Market-comparable Rates	Audited Balances Contractual Value

The following table represents the Organization's Level 3 financial assets, the valuation techniques used to measure the fair value of the financial assets, and the significant unobservable inputs—and the ranges of values for those inputs—as of June 30, 2017:

Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in California Community Foundation	$ 768,731	Sales-comparison Approach	Market-comparable Rates	Audited Balances Contractual Value

NOTE 5 – DONATED USE OF FACILITY

In November 1999, the Organization entered into a lease agreement with the Community Development Commission of the County of Los Angeles, whereby the Organization would lease the building located at 13965 Coteau Drive, Whittier, California 90604. The initial term of the agreement was for the rent-free use of the building for 55 years. The agreement was amended in March 2013, and the lease was renewed for another 55 years at a nominal rent of $1 per year. The Organization rents all units on the premises to very low-income foster youth as part of the program services provided. Given the indefinite period of the lease, the Organization recognizes revenue and expenses representing fair value of the rent for the facility on an annual basis. The fair value of the facility totaled $1,264,128 and $1,186,548 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 – LINE OF CREDIT

The Organization has a line-of-credit agreement with a financial institution for $1,000,000, expiring July 1, 2019. At June 30, 2018 and 2017, there was $750,000 and $0 outstanding, respectively. The effective interest rate at June 30, 2018 and 2017, was 5.5% and 4.75%, respectively. The credit agreement includes financial covenants, with which the Organization was in compliance at June 30, 2018 and 2017. The line of credit is collateralized by all the assets of the Organization.

NOTE 7 – COMMITMENTS

The Organization leases its office space under a noncancelable operating lease agreement that expires in June 2021. Rent expense for the years ended June 30, 2018 and 2017, was $1,582,399 and $1,439,396, respectively, which includes an in-kind rent expense of $1,275,996 and $1,186,548, respectively.

The future minimum annual rental commitments under this lease at June 30, 2018, are as follows:

Year Ending June 30,	
2019	$ 287,344
2020	294,495
2021	329,601
Total	**$ 911,440**

NOTE 8 – 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 years ended June 30, 2018 and 2017, totaled $7,769 and $18,708, respectively.

NOTE 9 – RELATED PARTIES

During the years ended June 30, 2018 and 2017, the Organization received a total of $308,900 and $338,875, respectively, in contributions from members of the Organization's board of directors. As of June 30, 2018 and 2017, $110,290 and $61,005, respectively, of gifts and contributions were included in grants and contributions receivable.

The Organization also received donated legal services during the years ended June 30, 2018 and 2017, from a related party, totaling $247,303 and $211,000, respectively.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018, were available for the following purposes:

	Available at June 30, 2017	New Revenue and Support, Net	Net Assets Released from Restrictions	Available at June 30, 2018
Transitional Housing Programs	$ 2,504,440	$ 205,000	$ (1,341,237)	$ 1,368,203
Education Programs	2,808,388	2,116,299	(1,889,118)	3,035,569
Other Support	141,501	1,025,000	(291,251)	875,250
Total	**$ 5,454,329**	**$ 3,346,299**	**$ (3,521,606)**	**$ 5,279,022**

Temporarily restricted net assets as of June 30, 2017, were available for the following purposes:

	Available at June 30, 2016	New Revenue and Support, Net	Net Assets Released from Restrictions	Available at June 30, 2017
Transitional Housing Programs	$ 622,071	$ 2,442,883	$ (560,514)	$ 2,504,440
Education Programs	3,972,768	738,622	(1,903,002)	2,808,388
Other Support	124,250	232,500	(215,249)	141,501
Total	**$ 4,719,089**	**$ 3,414,005**	**$ (2,678,765)**	**$ 5,454,329**

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 6, 2018, which is the date the financial statements were available to be issued. Management has determined that there have been no subsequent events that impact the financial statements.