UNITED FRIENDS OF THE CHILDREN

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
United Friends of the Children

Opinion

We have audited the financial statements of United Friends of the Children, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of United Friends of the Children as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Friends of the Children and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Friends of the Children's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 United Friends of the Children's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Friends of the Children's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited United Friends of the Children's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

April 12, 2024
Los Angeles, California

UNITED FRIENDS OF THE CHILDREN

STATEMENT OF FINANCIAL POSITION
June 30, 2023
With Summarized Totals at June 30, 2022

	2023			2022
ASSETS	Without Donor Restrictions	With Donor Restrictions	Total	Total
Cash	$ 270,787	$ 1,238,761	$ 1,509,548	$ 1,506,606
Investments	4,986,336	644,079	5,630,415	4,120,679
Contract Receivables	895,049	-	895,049	1,357,939
Contributions and Pledges Receivable	17,867	2,135,000	2,152,867	2,211,013
Prepaid Expenses and Other Assets	158,122	-	158,122	110,822
Beneficial Interest in Assets Held by Others	-	895,440	895,440	839,639
Property and Equipment (Net)	194,842	-	194,842	66,335
Right-of-Use Asset - Finance	19,284	-	19,284	-
Right-of-Use Asset - Operating	173,290	-	173,290	-
TOTAL ASSETS	$ 6,715,577	$ 4,913,280	$ 11,628,857	$ 10,213,033
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts Payable and Accrued Liabilities	$ 742,996	$ -	$ 742,996	$ 619,175
Deferred Revenue	867,326	-	867,326	838,984
Finance Lease Liability	19,284	-	19,284	-
Operating Lease Liability	175,438	-	175,438	-
TOTAL LIABILITIES	1,805,044	-	1,805,044	1,458,159
NET ASSETS:				
Without Donor Restrictions	4,910,533	-	4,910,533	3,481,588
With Donor Restrictions	-	4,913,280	4,913,280	5,273,286
TOTAL NET ASSETS	4,910,533	4,913,280	9,823,813	8,754,874
TOTAL LIABILITIES AND NET ASSETS	$ 6,715,577	$ 4,913,280	$ 11,628,857	$ 10,213,033

UNITED FRIENDS OF THE CHILDREN

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

	2023			
	Without Donor Restrictions	With Donor Restrictions	Total	2022 Total
REVENUES AND SUPPORT:				
Contributions from Foundations, Corporations and Individuals	$ 1,127,162	$ 2,829,440	$ 3,956,602	$ 4,468,569
Government Contracts	3,251,451	-	3,251,451	2,963,248
Donated Use of Facilities	1,672,095	-	1,672,095	1,572,156
Special Event Revenue (Net Of Direct Donor Benefit Expenses of $106,206)	569,941	-	569,941	360,550
Investment Return (Net)	511,251	-	511,251	(698,384)
Contributed Legal Services	30,751	-	30,751	59,641
Change in Beneficial Interest in Assets Held by Others	-	55,801	55,801	(120,457)
Forgiveness of Paycheck Protection Program Loan	-	-	-	883,400
Other Income	93,754	-	93,754	10,988
Net Assets Released From Donor Restrictions	3,245,247	(3,245,247)	-	-
TOTAL REVENUES AND SUPPORT	10,501,652	(360,006)	10,141,646	9,499,711
EXPENSES:				
Program Services	7,772,430	-	7,772,430	7,071,089
General and Administrative	473,307	-	473,307	433,988
Fundraising	826,970	-	826,970	984,839
TOTAL EXPENSES	9,072,707	-	9,072,707	8,489,916
CHANGE IN NET ASSETS	1,428,945	(360,006)	1,068,939	1,009,795
Net Assets - Beginning of Year	3,481,588	5,273,286	8,754,874	7,745,079
NET ASSETS - END OF YEAR	$ 4,910,533	$ 4,913,280	$ 9,823,813	$ 8,754,874

UNITED FRIENDS OF THE CHILDREN

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

	2023						2022
	Program Services						
	Scholars	Housing	Total Program Services	General and Administrative	Fundraising	Total Expenses	Total Expenses
Salaries	$ 1,538,550	$ 1,600,496	$ 3,139,046	$ 156,813	$ 455,478	$ 3,751,337	$ 3,523,807
Payroll Taxes	243,782	252,989	496,771	20,722	69,626	587,119	527,693
TOTAL PERSONNEL COSTS	1,782,332	1,853,485	3,635,817	177,535	525,104	4,338,456	4,051,500
Facility Use (including Donated Facility Use)	38,011	1,692,216	1,730,227	1,992	9,119	1,741,338	1,636,524
Property Management	-	791,871	791,871	-	-	791,871	770,648
Youth Services and Assistance	16,434	578,218	594,652	-	-	594,652	553,322
Education and Youth Services	486,487	-	486,487	-	-	486,487	334,696
Consulting Services	52,852	39,166	92,018	211,949	58,173	362,140	320,348
Office Expense	53,755	91,165	144,920	3,650	37,640	186,210	211,880
Marketing and Communications	13,267	261	13,528	-	149,564	163,092	189,000
Insurance	54,713	52,227	106,940	4,169	19,084	130,193	148,472
Staff and Board Expenses	44,589	28,057	72,646	2,240	10,851	85,737	24,728
Repairs and Maintenance	34,927	33,340	68,267	2,661	12,182	83,110	113,165
Professional Services	-	-	-	68,251	-	68,251	92,831
Depreciation	8,661	8,268	16,929	660	3,021	20,610	27,273
Professional Development	8,264	4,665	12,929	-	1,304	14,233	8,892
Miscellaneous	2,660	2,539	5,199	200	928	6,327	6,637
TOTAL 2023 FUNCTIONAL EXPENSES	$ 2,596,952	$ 5,175,478	$ 7,772,430	$ 473,307	$ 826,970	$ 9,072,707	
			86%	5%	9%	100%	
TOTAL 2022 FUNCTIONAL EXPENSES	$ 2,305,293	$ 4,765,796	$ 7,071,089	$ 433,988	$ 984,839		$ 8,489,916
			83%	5%	12%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

UNITED FRIENDS OF THE CHILDREN

STATEMENT OF CASH FLOWS
Year Ended June 30, 2023
With Summarized Totals for the Year Ended June 30, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 1,068,939	$ 1,009,795
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	20,610	27,273
Net Realized and Unrealized (Gain) Loss on Investments	(443,437)	758,802
Forgiveness of Paycheck Protection Program Loan	-	(883,400)
Change in Beneficial Interest in Assets Held by Others	(55,801)	120,457
Amortization of Right of Use Asset - Operating	50,110	-
Amortization of Right of Use Asset - Financing	2,640	-
(Increase) Decrease in:		
Contract Receivables	462,890	(598,677)
Contributions and Pledges Receivable	58,146	(52,685)
Prepaid Expenses and Other Assets	(47,300)	69,893
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	123,821	(202,161)
Deferred Revenue	28,342	-
Operating Lease Liability	(47,962)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,220,998	249,297
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(149,117)	(30,462)
Interest and Dividends Reinvested	(65,298)	(32,260)
Sale of Investments	26,323	41,220
Purchase of Investments	(1,027,324)	(1,033,323)
NET CASH USED IN INVESTING ACTIVITIES	(1,215,416)	(1,054,825)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Finance Lease Liability	(2,640)	-
NET INCREASE (DECREASE) IN CASH	2,942	(805,528)
Cash - Beginning of Year	1,506,606	2,312,134
CASH - END OF YEAR	$ 1,509,548	$ 1,506,606
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid during the Year for Interest	$ -	$ -
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Non-Cash Impact of Implementation of Accounting Standards Codification Topic 842, *Leases* :		
Increase in Right-of-Use Asset - Operating	$ 223,400	-
Increase in Right-of-Use Asset - Financing	21,924	-
(Increase) in Lease Liability - Operating	(223,400)	-
(Increase) in Lease Liability - Financing	(21,924)	-

The Accompanying Notes are an Integral Part of These Financial Statements

NOTE 1 - ORGANIZATION

United Friends of the Children (the Organization) is a nonprofit organization dedicated to bettering the lives of foster children. The Organization 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, the Organization has provided in-depth services designed specifically to help current and former foster youth become successfully independent after they leave the foster care system. Currently, the Organization offers two core programs. Pathways to Independence (Pathways) 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. The United Friends Scholars Program prepares and supports middle and high school and college youth on their journeys to and through a college degree. Through its programs and wide-sweeping special events, the Organization is working successfully to increase the educational and housing outcomes of youth in Los Angeles' foster care system.

The Organization raises funds primarily through contributions from foundations, corporations, and individual donors. The Organization is also a recipient of various government contracts with the County of Los Angeles Transitional Housing Program Plus (THP+) and the Los Angeles Homeless Services Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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-imposed restrictions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) NET ASSETS (continued)

- **Net Assets With Donor Restrictions**. Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released 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.

(c) CASH

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

(d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) GOVERNMENT CONTRACTS AND CONTRACT RECEIVABLES

The Organization recognizes government contracts revenue as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. The Organization's government contracts revenue is primarily derived from nonreciprocal grants, which are conditioned upon certain performance requirements such as bed occupancy and/or the incurrence of allowable qualifying expenditures up to an amount not to exceed the total contract authorized. Amounts received are recognized as revenue when the Organization has incurred expenditures or satisfied the performance requirements in compliance with specific grant or contract provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

At June 30, 2023, the majority of contracts receivable are due from governmental agencies and no allowance for doubtful accounts receivable was considered necessary.

(f) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions, including endowment gifts and pledges, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until the conditions on which they depend have been met. Pledges receivable expected to be collected within one year are recorded at their net realizable value. Pledges receivable expected to be collected in future years are recorded at the present value of estimated future cash flows discounted at an appropriate market interest rate at the time of the contribution. At June 30, 2023, the Organization evaluated the collectability of pledges receivable and determined that no allowance for uncollectible pledges receivable was considered necessary.

(g) BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than five thousand dollars and the useful life is greater than one year.

The estimated useful lives of furniture and equipment are three years.

(i) LONG-LIVED ASSETS

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. No impairment losses were recognized during the year ended June 30, 2023.

(j) DEFERRED REVENUE

Deferred revenue consists of advance funds received from Los Angeles Homeless Services Authority which have not yet met the conditions to be recognized as revenue.

(k) CONCENTRATION OF CREDIT RISK

The Organization places its cash and investments with high-credit, quality financial institutions.

The Organization holds investments in the form of mutual funds. Market values of such investments and credit ratings of bond issuers are routinely reviewed by the Board of Directors.

(l) CONTRIBUTED GOODS, FACILITIES AND SERVICES

Contributions of donated noncash assets and facility use are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed goods, services, and facilities are valued based upon estimates of fair market value that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Contributed items and services are not sold but rather used for the Organization's operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) CONTRIBUTED GOODS, FACILITIES AND SERVICES (continued)

During the year ended June 30, 2023, the Organization received donated services from unpaid volunteers who made significant contributions of their time providing a broad range of support; however, the value of these services is not reflected in the financial statements because the criteria for recognition were not met.

(m) LEASES

The Organization recognizes and measures its leases in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. The Organization is a lessee in several operating leases and finance leases for facilities and equipment (See Note 8). The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses the risk-free rates. The implicit rates of the Organization's leases are not readily determinable and accordingly, the Organization uses the risk-free rate based on the information available at the commencement date of the lease.

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) INCOME TAXES

The Organization is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic No.740, *Uncertainty in Income Taxes*, 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. During the year ended June 30, 2023, the Organization performed an evaluation of uncertain tax positions and did not identify any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(o) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Organization's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses full time equivalent ratios to allocate indirect costs.

(p) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(q) COMPARATIVE TOTALS

The 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 presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, intended to improve financial reporting about leasing transactions. The new standard requires organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position, the assets and liabilities for the rights and obligations created by those leases. The ASU also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the combined financial statements. The ASU is effective for fiscal years beginning after December 15, 2021. The Organization adopted the ASU with a date of the initial application of July 1, 2022 using the optional transition method which allows entities to continue to apply historical accounting guidance in the comparative periods presented in the year of adoption. The Organization elected to apply the following package of practical expedients on a consistent basis permitting entities not to reassess: (i) whether any expired or existing contracts are or contain a lease; (ii) lease classification for any expired or existing leases and (iii) whether initial direct costs for any expired or existing leases qualify for capitalization under the amended guidance.

The impact of adopting the amended guidance primarily relates to the recognition of lease assets and lease liabilities on the statement of financial position for all leases previously classified as operating leases. The Organization recognized $223,400 of right-of-use asset - operating and $21,924 of right-of-use asset - finance and $245,324 of related lease liabilities as of July 1, 2022 for contracts that are classified as operating leases. Leases with an initial term of 12 months or less have not been recorded on the statement of financial position.

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. For the Organization, the ASU and the subsequent amendments will be effective for the year ending June 30, 2023, and are expected to be adopted using the modified-retrospective approach.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2023 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through April 12, 2024, the date these financial statements were available to be issued.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization has adopted the fair value standard that clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Further, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The fair value standard establishes a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

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.

UNITED FRIENDS OF THE CHILDREN

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - FAIR VALUE MEASUREMENTS (continued)

The following table presents information about the Organization's assets that are measured at fair value on a recurring basis at June 30, 2023, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair Value Measurements Using		
	Year Ended June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	$ 1,005,663	$ 1,005,663	$ -	$ -
Mutual Funds:				
Equity	3,345,319	3,345,319	-	-
Fixed Income	1,279,433	1,279,433	-	-
TOTAL INVESTMENTS	5,630,415	5,630,415	-	-
Beneficial Interest in Assets Held by Others	895,440	-	895,440	-
TOTAL ASSETS	$ 6,525,855	$ 5,630,415	$ 895,440	$ -

The fair value of mutual funds within Level 1 was obtained based on quoted market prices at the closing of the last business day of the fiscal year. The fair value of the beneficial interest in assets held by others is based on the fair value of the underlying assets in the pooled investment fund as reported by the trustee.

For the year ended June 30, 2023, the change in the beneficial interest in assets held by others is classified is as follows:

Balance - Beginning of Year	$ 839,639
Change in Beneficial Interest	55,801
BALANCE - END OF YEAR	$ 895,440

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions and pledges receivable at June 30, 2023, are expected to be collected as follows:

Due in Less Than One Year	$ 1,352,867
Due in Two to Five Years	800,000
PLEDGES RECEIVABLE	$ 2,152,867

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 consists of the following:

Furniture and Equipment	$ 1,544,987
Less: Accumulated Depreciation	(1,350,145)
PROPERTY AND EQUIPMENT (NET)	$ 194,842

Depreciation expense for the year ended June 30, 2023 was $20,610.

NOTE 6 - DONATED USE OF FACILITIES

The Organization has multiple lease agreements with the Community Development Commission of the County of Los Angeles, whereby the Organization leases various buildings in Los Angeles, California. The initial terms of the agreements were for the rent-free use of buildings for 55 years. The agreements are at a nominal rent of $1 per year. The Organization offers all units on the premises to very low-income foster youth as part of the program services provided. Given the length of the leases, the Organization recognizes revenue and expenses representing the fair value of the rent for the facility on an annual basis. The fair value of the facility use, based on rates provided by the U.S. Department of Housing and Urban Development, totaled $1,660,227 for the year ended June 30, 2023 (refer to Note 7). In addition, the Organization received donated facility use of another property valued at $11,868 for the year ended June 30, 2023.

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributed nonfinancial assets during the year ended June 30, 2023:

Category	Valuation	Functional Area	Amount
Facility Use	Refer to Note 6	Housing	$ 1,660,227
Professional Services:			
Legal Services	Standard Hourly Rates	General and Administrative	30,751
Facility Use	Published Rates	Scholars	11,868
TOTAL CONTRIBUTED NONFINANCIAL ASSETS			$ 1,702,846

NOTE 8 - OPERATING LEASES

The Organization leases office space which is accounted for as an operating lease. The operating lease expires in August 2026. Leases with an initial term of 12 months or less, which are not expected to be renewed beyond one year, are not recorded on the statement of financial position and are recognized as lease expense on a straight-line basis over the lease term. At June 30, 2023, the Organization recognized $173,290 of right-of-use asset and $175,438 of related lease liability for this operating lease.

The Organization leases office equipment which is accounted for as a finance lease. The finance lease expires in April 2025. As of June 30, 2023, the Organization recognized $19,284 of right-of-use asset and $19,284 of related lease liability for this finance lease.

Lease cost was as follows for the year ended:

	June 30, 2023
Operating lease cost	$ 56,398
Finance Lease Cost:	
Amortization of ROU Assets	2,854
Interest on Lease Liabilities	213
TOTAL LEASE COST	$ 59,465

Weighted-average remaining lease term and weighted-average discount rate were as follows at June 30, 2023:

Weighted-Average Lease Term	
Operating Leases	9.3 years
Finance Leases	2.2 years
Weighted-Average Discount Rate	
Operating Leases	2.95%
Finance Leases	3.43%

Maturities of lease liabilities as of June 30, 2023 are as follows:

Years Ending June 30	Operating Leases	Finance Leases	Total
2024	$ 57,629	$ 11,413	$ 69,042
2025	58,858	8,561	67,419
2026	71,057	-	71,057
Total Rent Payment	187,544	19,974	207,518
Less: Imputed Interest	(12,106)	(690)	(12,796)
TOTAL	$ 175,438	$ 19,284	$ 194,722

NOTE 9 - EMPLOYEE BENEFIT 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 maximum allowable contribution limit of their salaries to the plan. The Organization made a matching contribution of $6,952 for the year ended June 30, 2023.

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, up to a maximum of $200, can be contributed to their plan accounts. There were no contributions made for the year ended June 30, 2023.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2023:

Subject to the Passage of Time:	
Time Restricted	$ 310,000
Subject to Expenditure for Specified Purpose:	
Scholars	3,896,254
Housing	667,026
Not Subject to Appropriation or Expenditure:	
Donor-Restricted Endowment Corpus	40,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	$ 4,913,280

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 the donors as follows for the year ended June 30, 2023:

Expiration of Specified Time Period:	
Time Restriction	$ 255,000
Satisfaction of Purpose Restrictions:	
Scholars	2,730,394
Housing	237,147
COVID-19	22,706
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	$ 3,245,247

NOTE 11 - ENDOWMENTS

The Organization has a donor-restricted endowment fund, the earnings of which support the Organization's programs. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's management understands California State law as (1) requiring the preservation of the fair market value of the original gifts as of the gift date of the donor-restricted endowment funds, and (2) allowing the spending of income and gains on endowments required to be maintained in perpetuity, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity. The primary long-term financial objective for the Organization's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, annual growth percentage and costs of portfolio management. In the absence of explicit donor instructions, the Organization's spending policy allows that up to 5% of the endowment base shall be available to support the Organization's programs annually. The endowment base is defined as 12-quarters moving average of the market value of the total endowment portfolio. Investment return related to the Organization's donor-restricted endowments is recorded as revenue with donor restrictions unless otherwise directed by the donor's gift instrument.

At June 30, 2023, The Organization's endowment net assets composition by type of fund was as follows:

Endowment Net Asset Composition by Type of Fund At June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted:			
Original Donor-Restricted Gift Amount	$ -	$ 40,000	$ 40,000
Accumulated Investment Gains	-	-	-
ENDOWMENT NET ASSETS - JUNE 30, 2023	$ -	$ 40,000	$ 40,000

NOTE 11 - ENDOWMENTS (continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization had no endowment funds with deficiencies at June 30, 2023.

Changes in Endowment Net Assets for the Year Ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - July 1, 2022	$ -	$ 40,000	$ 40,000
Contributions	-	-	-
Investment Return (Net)	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-
ENDOWMENT NET ASSETS - JUNE 30, 2023	$ -	$ 40,000	$ 40,000

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Organization at June 30, 2023 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at June 30, 2023:	
Cash	$ 280,591
Investments	4,819,698
Contract Receivables	895,049
Contributions and Pledges Receivable	17,867
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	$ 6,013,205

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.