Community PARTNERS®

FINANCIAL REPORT
JUNE 30, 2023

CONTENTS

SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Partners

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Community Partners (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 2 to the financial statements, the Organization adopted ASC Topic 842, Leases, on July 1, 2022. Our opinion is not modified with respect to this matter.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be 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 and Government *Auditing Standards* 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 and *Government Auditing Standards*, 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 the Organization'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 the Organization'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Singer Lewak LLP

March 26, 2024

COMMUNITY PARTNERS

STATEMENTS OF FINANCIAL POSITION

Years Ended June 30, 2023 and 2022

ASSETS

	2023	2022
Cash and cash equivalents	$ 30,128,494	$ 14,261,594
Operating investments	5,674,840	15,246,371
Grants and contracts receivable, net	29,758,417	19,958,901
Prepaid expenses and other assets	554,947	393,685
Operating lease right-of-use assets	1,720,151	-
Equipment, net	123,668	225,107
Beneficial interests in assets held by community foundations	2,094,152	1,961,116
Total assets	**$ 70,054,669**	**$ 52,046,774**

LIABILITIES AND NET ASSETS

	2023	2022
Liabilities		
Accounts payable and other accrued expenses	$ 4,660,282	$ 2,626,408
Accrued payroll and benefits	2,974,613	4,018,641
Grants payable	5,380,898	-
Operating lease liabilities	1,735,664	-
Total liabilities	14,751,457	6,645,049
Net assets		
Without donor restrictions	5,428,224	4,132,004
With donor restrictions	49,874,988	41,269,721
Total net assets	55,303,212	45,401,725
Total liabilities and net assets	**$ 70,054,669**	**$ 52,046,774**

See notes to financial statements.

COMMUNITY PARTNERS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Corporation and foundation grants	$ 46,650	$ 51,419,586	$ 51,466,236
Government grants and contracts	-	52,396,795	52,396,795
Contributions	911	3,645,375	3,646,286
Conferences and special events	-	2,141,021	2,141,021
In-kind contributions	-	475,900	475,900
Contract fees	151,148	2,523,100	2,674,248
Net investment return	727,069	11,968	739,037
Other income	-	347,054	347,054
Total revenue, support, and gains	925,778	112,960,799	113,886,577
Net assets released from restrictions:			
Program services	94,929,291	(94,929,291)	-
Project administration fees	7,360,709	(7,360,709)	-
Strategic initiative and consulting fees	3,396,193	(3,396,193)	-
	105,686,193	(105,686,193)	-
Total revenue	106,611,971	7,274,606	113,886,577
Expenses and losses			
Program services	94,541,401	-	94,541,401
Management and general	10,386,460	-	10,386,460
Total expenses	104,927,861	-	104,927,861
Loss on uncollectible contributions	387,890	-	387,890
Total expenses and losses	105,315,751	-	105,315,751
Other changes in net assets			
Net assets transferred in	-	1,330,661	1,330,661
Changes in net assets	1,296,220	8,605,267	9,901,487
Net assets, beginning	4,132,004	41,269,721	45,401,725
Net assets, ending	**$ 5,428,224**	**$ 49,874,988**	**$ 55,303,212**

See notes to financial statements.

COMMUNITY PARTNERS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support, and gains			
Corporation and foundation grants	$ 36,595	$ 38,875,533	$ 38,912,128
Government grants and contracts	-	34,607,337	34,607,337
Contributions	1,450	4,720,128	4,721,578
Conferences and special events	-	2,699,631	2,699,631
In-kind contributions	-	288,110	288,110
Contract fees	126,650	3,204,781	3,331,431
Net investment loss	(555,138)	(49,937)	(605,075)
Other income	-	93,470	93,470
Total revenue, support and gains	(390,443)	84,439,053	84,048,610
Net assets released from restrictions:			
Program services	76,555,832	(76,555,832)	-
Project administration fees	6,248,545	(6,248,545)	-
Strategic initiative and consulting fees	1,567,000	(1,567,000)	-
	84,371,377	(84,371,377)	-
Total revenue	83,980,934	67,676	84,048,610
Expenses			
Program services	76,423,061	-	76,423,061
Management and general	10,821,180	-	10,821,180
Total expenses	87,244,241	-	87,244,241
Loss on uncollectible contributions	132,771	-	132,771
Total expenses and losses	87,377,012	-	87,377,012
Change in net assets	(3,396,078)	67,676	(3,328,402)
Net assets, beginning	7,528,082	41,202,045	48,730,127
Net assets, ending	**$ 4,132,004**	**$ 41,269,721**	**$ 45,401,725**

See notes to financial statements.

COMMUNITY PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	Program Services				
	Fiscal Sponsorship	Intermediary	Total Program	Management and General	Total
Salaries, taxes, and benefits	$ 34,589,599	$ 2,426,330	$ 37,015,929	$ 7,139,430	$ 44,155,359
Professional services	9,125,327	1,472,792	10,598,119	1,808,000	12,406,119
Grants – external	8,628,527	30,018,968	38,647,495	-	38,647,495
Conferences and travel	2,348,723	89,809	2,438,532	249,507	2,688,039
Facilities	1,424,600	90,439	1,515,039	231,483	1,746,522
Office and supplies	1,425,188	39,297	1,464,485	681,382	2,145,867
Programmatic	1,554,086	96,081	1,650,167	222,046	1,872,213
Special events	379,775	-	379,775	-	379,775
In-kind	475,900	-	475,900	-	475,900
Other	269,829	86,131	355,960	54,612	410,572
Total expenses by function	**$ 60,221,554**	**$ 34,319,847**	**$ 94,541,401**	**$ 10,386,460**	**$ 104,927,861**

See notes to financial statements.

COMMUNITY PARTNERS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services				
	Fiscal Sponsorship	Intermediary	Total Program	Management and General	Total
Salaries, taxes, and benefits	$ 31,990,282	$ 864,563	$ 32,854,845	$ 7,640,987	$ 40,495,832
Professional services	10,105,324	2,778,793	12,884,117	1,568,204	14,452,321
Grants – external	3,370,166	18,841,286	22,211,452	500	22,211,952
Conferences and travel	1,381,718	29,006	1,410,724	58,718	1,469,442
Facilities	1,182,707	-	1,182,707	376,543	1,559,250
Office and supplies	1,441,755	24,878	1,466,633	671,108	2,137,741
Programmatic	2,659,159	267,622	2,926,781	88,762	3,015,543
Special events	259,972	-	259,972	-	259,972
In-kind	288,110	-	288,110	-	288,110
Other	886,118	51,602	937,720	416,358	1,354,078
Total expenses by function	**$ 53,565,311**	**$ 22,857,750**	**$ 76,423,061**	**$ 10,821,180**	**$ 87,244,241**

See notes to financial statements.

COMMUNITY PARTNERS

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Changes in net assets	$ 9,901,487	$ (3,328,402)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	105,017	133,015
Change in discount on receivables	235,442	18,710
Net (gains) losses on investments	(323,864)	488,185
Loss on disposal of fixed assets	1,457	32,563
Loss on uncollectible contributions	387,890	132,771
Non-cash operating lease expense	609,682	-
Changes in operating assets and liabilities:		
Grants and contracts receivable	(10,422,848)	2,780,878
Prepaid expenses and other assets	(161,262)	600,098
Accounts payable and other accrued expenses	2,033,874	(2,657,455)
Accrued payroll and benefits	(1,044,028)	(554,254)
Grants payable	5,380,898	-
Operating lease liabilities	(594,169)	-
Net cash provided by (used in) operating activities	6,109,576	(2,353,891)
Cash flows from investing activities		
Purchases of equipment	(5,035)	(72,549)
Purchases of investments	(22,445,146)	(11,713,118)
Proceeds from sale and maturity of investments	32,340,541	10,574,774
Change in value of assets of beneficial interests in assets held by community foundations	(133,036)	289,645
Net cash provided by (used in) investing activities	9,757,324	(921,248)
Net increase (decrease) in cash and cash equivalents	15,866,900	(3,275,139)
Cash and cash equivalents, beginning	14,261,594	17,536,733
Cash and cash equivalents, ending	**$ 30,128,494**	**$ 14,261,594**
Supplemental disclosure of cash flow information		
Right-of-use assets obtained in exchange for operating lease liabilities	**$ 2,329,833**	**$ -**

See notes to financial statements.

NOTE 1 – ORGANIZATION

Community Partners (the Organization) is a California nonprofit public benefit corporation that helps foster, launch and grow creative solutions to community challenges. Through fiscal sponsorship, the Organization provides the benefits of tax-exempt status, a full range of back-office services, and expert guidance to over 181 projects working under its umbrella. As an intermediary, the Organization combines its robust financial and administrative services with extensive nonprofit development experience to help foundations, government agencies and other institutions create and manage complex initiatives, build grantee capacity, and supports other efforts to advance the public good. The Organization's Knowledge Sharing activities are designed to capture and disseminate nonprofit best practices, as well as generate innovative ideas and perspectives to strengthen leaders, build the field, and serve as a springboard for an effective civil society.

Across all program areas, the Organization works toward its organizational vision: a vibrant society in which individuals and institutions use knowledge, resources and relationships to build equitable, democratic and thriving communities. The Organization's work spans a wide range of fields, including civic engagement, arts and culture, education, social justice, health, public policy, social services, and youth.

Project Funding
The projects of the Organization are funded primarily by foundations, corporations, and government grants, and individuals. The management and general operations of the Organization are funded primarily by the administrative fee charged on project revenues, which is 9% on revenues from private sources and 15% on revenues from public and government sources. Additional funds are earned from strategic initiatives, contracts, consulting services and earnings on investments.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accompanying financial statements are 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 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiscal Sponsorship Projects

All the financial activity of the Organization's fiscally sponsored projects (FSPs) is aggregated for financial statement purposes. Their funds, however, are kept strictly segregated in individual fund accounts. The majority of the FSPs (those in a comprehensive fiscal sponsorship relationship) are legally a part of the Organization and all their employees are employees of the Organization. A minority of projects are in a "pre-approved grant" fiscal sponsorship relationship and those projects are separate legal entities.

The Organization's project roster can fluctuate regularly with time limited projects completing, maturing nonprofits spinning off into their own 501(c)(3) organizations, and new start-ups signing up throughout each year.

In the event an existing FSP is incorporated into the Organization's portfolio, any assets transferred in are recorded on the statement of activities as net assets transferred in. For the years ended June 30, 2023 and 2022, 2 newly incorporated FSPs transferred assets of approximately $1,330,000, and 3 newly incorporated FSPs transferred assets of approximately $281,000, respectively.

In situations where a sponsored project attains status as an independent entity and ends the fiscal sponsorship relationship with the Organization, the respective project's funds are granted out to a newly created entity. For the years ended June 30, 2023 and 2022, net assets of $3,403,638 and $1,337,525, respectively, were distributed to spun-off projects and were recorded as grant expense.

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.

Grants and Contracts Receivable

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses, less investment expenses.

Equipment

Property and equipment over $5,000 that has been acquired for the projects with grant funds and assets over $1,000 that have been acquired with unrestricted funds that remain the property of the Organization are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets (3 – 7 years), or in the case of capitalized leasehold improvements, the lesser of the useful life of the asset or the lease term.

Property and equipment totaled $987,527 and $990,650 at June 30, 2023 and 2022, respectively. Accumulated depreciation totaled $863,859 and $765,543 at June 30, 2023 and 2022, respectively. Depreciation and amortization expense for the years ended June 30, 2023 and 2022 amounted to $105,017 and $133,014, respectively, and is included in facilities expense on the statements of functional expenses.

Impairment of Long-lived Assets

The Organization reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of June 30, 2023 and 2022, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

Beneficial Interests in Assets held by Community Foundations

Pasadena Community Foundation

Pasadena Community Foundation (PCF) and the Conservatory (a Community Partners project) is named as the beneficiary. PCF has full authority and discretion as to the investment and reinvestment of assets of the funds. PCF makes distributions from the fund as grants for charitable purposes. The amount distributed for grants each year from PCF's endowment funds is determined by the current spending rate, which is set by PCF's board of directors. The fund is held and invested by PCF for the benefit of the Conservatory and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities. Should the Conservatory become a separate legal entity, the fund assets will be transferred.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interests in Assets held by Community Foundations (Continued)
California Community Foundation
The Organization established an endowment fund perpetual in nature with California Community Foundation (the Foundation), whereby the Foundation has established a Community Partners Fund (CP Fund) to be used for philanthropic purposes. The Organization is named as the beneficiary, and the Foundation has the discretion to distribute the Fund and any future earnings for broad charitable uses and purposes of the Organization. The fund is held and invested by the Foundation for the Organization's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Grants and Grants Payable
Grant expenses are recorded when the Organization makes an unconditional promise to give and a signed agreement is received. Conditional promises to give are recognized as grant expense in the period in which the recipient meets the terms of the condition. All grants are expected to be paid in the fiscal year ending June 30, 2024.

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

- Net Assets without Donor Restriction – Net assets that are not subject to donor (or certain grantor) restrictions and may be expendable for any purpose in performing the primary objectives of the Organization.

- Net Assets with Donor Restriction – 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. The Organization considers all funds received for each project to be with donor restrictions. As the restrictions are satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the accompanying financial statements as net assets released from restrictions.

Revenue and Revenue Recognition
The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)
A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization incurs the expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization received cost-reimbursable awards of $58,902,758 and $4,021,646 that have not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred.

The Organization recognizes revenue from project administrative fees and strategic initiative and consulting fees when the performance obligations of providing the services are met.

Conferences and special event revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue when the event takes place.

In-kind Contributions
In-kind contributions consist of contributed goods and services and are recorded at fair value at the date of donation (see Note 11).

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

Functional Allocation of Expenses
The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Facilities expenses are allocated based on square footage. Other expenses that are associated with more than one program or supporting service are allocated on the basis of estimates of time and effort.

Income Taxes
The Organization is organized as a not-for-profit organization exempt from income taxes under the Internal Revenue Code §501(c)(3), and from franchise taxes under §23710(d) of the California Revenue and Taxation Code, except with respect to any unrelated business income. Management has analyzed the tax positions taken by the Organization, and has concluded that, as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities.

The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Foundation obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Accounting Principles (Continued)
Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of $2,329,833 and $2,329,833, respectively, as of July 1, 2022. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Reclassifications
Certain reclassifications of amounts previously reported have been made in the accompanying financial statements to maintain consistency with the periods presented.

Subsequent Events
In preparation of these financial statements, the Organization considered subsequent events through March 26, 2024, which represents the date the financial statements were available for issuance.

NOTE 3 – FINANCIAL INSTRUMENTS AND CREDIT RISK

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts.

Credit risk associated with grants and contracts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies, corporations, and foundations supportive of the Organization's mission.

Investments are made and performance is monitored by management. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

NOTE 4 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023 and 2022, the following table reflects the Organization's financial assets available for general expenditures within one year:

	2023	2022
Cash and cash equivalents	$ 30,128,494	$ 14,261,594
Grants and contract receivables due in one year	23,942,084	18,802,821
Operating investments	5,674,840	15,246,371
Financial assets available to meet general expenditures within one year	**$ 59,745,418**	**$ 48,310,786**

The Organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose for their projects, and considers contributions restricted for programs which are ongoing, major, and central to the annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 5 – GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable are estimated to be collected as follows at June 30, 2023 and 2022:

	2023	2022
Within one year	$ 24,653,410	$ 18,802,821
In one to five years	5,816,333	1,631,964
	30,469,743	20,434,785
Less present value discount (0.13% – 4.88%)	(306,254)	(70,812)
Less allowance for doubtful accounts	(405,072)	(405,072)
Total	**$ 29,758,417**	**$ 19,958,901**

NOTE 6 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets and liabilities at 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 factors 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 develops 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, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.

NOTE 6 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

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.

- *U.S. Treasury, commercial paper, and bonds* – The fair value of these funds is based on market values of similar observable or underlying assets. They are classified within Level 2 of the fair value hierarchy.

- *Beneficial interests in assets held by community foundations* –The fair value of investments in beneficial interest in assets held by community foundations are based on the fair value of fund investments as reported by the community foundations. These are classified as Level 3 of the fair value hierarchy.

The following table summarizes the Organization's assets measured at fair value on a recurring basis at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Operating investments				
Mutual funds	$ 1,752,015	$ -	$ -	$ 1,752,015
U.S. Treasury	-	269,585	-	269,585
Municipal bonds	-	2,215,987	-	2,215,987
Corporate bonds	-	1,437,253	-	1,437,253
	1,752,015	3,922,825	-	5,674,840
Beneficial interests in assets held by community foundations	-	-	2,094,152	2,094,152
Total	**$ 1,752,015**	**$ 3,922,825**	**$ 2,096,152**	**$ 7,768,992**

NOTE 6 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

The following table summarizes the Organization's assets measured at fair value on a recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Operating investments				
Mutual funds	$ 1,654,733	$ -	$ -	$ 1,654,733
U.S. Treasury	-	265,837	-	265,837
Commercial paper	-	493,814	-	493,814
Municipal bonds	-	5,876,956	-	5,876,956
Corporate bonds	-	6,955,031	-	6,955,031
	1,654,733	13,591,638	-	15,246,371
Beneficial interests in assets held by community foundations	-	-	1,961,116	1,961,116
Total	**$ 1,654,733**	**$ 13,591,638**	**$ 1,961,116**	**$ 17,207,487**

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2023 and 2022:

	2023	2022
Balance, beginning of year	$ 1,961,116	$ 2,250,761
Net investment return (loss)	133,036	(289,645)
Balance, end of year	**$ 2,094,152**	**$ 1,961,116**

NOTE 7 – COMMITMENT AND CONTINGENCIES

Operating Leases

The Organization leases a facility and office space under a lease that will expire on July 31, 2027. In addition, the Organization entered into lease agreements on behalf of the projects. These agreements have various expiration dates through June 2028, and some of the lease agreements have options to renew. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization's operating leases provide for increases in future minimum annual rental payments. Total operating lease cost amounted to $665,906 for the year ended June 30, 2023, and rent expense related to short term leases amount to $800,808, both of which are included in facilities expense in the statement of functional expenses.

The weighted-average remaining lease term for operating leases is 2.87 years. The weighted-average discount rate is 2.87%.

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2023:

2024	$ 670,312
2025	588,036
2026	505,200
2027	36,894
2028 and thereafter	6,178
Total lease payments	1,806,620
Less present value effect	(70,956)
Total present value of lease liabilities	**$ 1,735,664**

In accordance with ASC 840, the future minimum lease payments required under these lease agreements at June 30, 2022, are as follows:

2023	$ 770,126
2024	687,549
2025	607,965
2026	281,400
2027 and thereafter	529,435
Total	**$ 2,876,475**

Rent expense amounted to $1,180,024 for the year ended June 30, 2022, and is included in facilities expense in the statements of functional expenses.

NOTE 7 – COMMITMENT AND CONTINGENCIES (Continued)

Litigation and Examinations

The Organization is, from time to time, the subject of litigation, claims and assessments arising out of matters occurring in its normal business operations. In the opinion of management, resolution of these matters will not have a material adverse effect on the Organization's financial position or results of operations.

Certain federal grants which the Organization administers and for which it receives reimbursements are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The Organization expects that such amounts, if any, would not have a material impact on the financial position and cash flows of the Organization.

NOTE 8 – EMPLOYEE BENEFIT PLAN

The Organization participates in a 403(b) plan whereby it makes contributions for certain eligible employees. Contributions for personnel employed for a specific project are provided from funds for that project. Contributions under the plan vest immediately. Contribution expense for the years ended June 30, 2023 and 2022 was $1,115,878 and $1,008,466, respectively, and is included in salaries, taxes, and benefits on the statements of functional expenses.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2023 and 2022, net assets with donor restrictions of $49,874,988 and $41,269,721, respectively, are restricted by the projects for expenditures for specified purposes.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors. For the years ended June 30, 2023 and 2022, net assets of $105,686,193 and $84,371,377, respectively, were released from restrictions by incurring expenses satisfying the specified purpose restriction.

NOTE 10 – RELATED PARTY TRANSACTIONS

Annual campaign contributions and promises to give received from members of the Board of Directors and their related organizations totaled $5,007,139 and $3,348,359 for the years ended June 30, 2023 and 2022, respectively. The contributions are reported under contributions and corporation and foundation grants in the statements of activities.

NOTE 11 – IN-KIND CONTRIBUTIONS

The use of facilities is valued based on estimated fair value of comparable rental prices in the Los Angeles metropolitan area. Donated supplies are based on the estimated of values that would be received for selling similar products. Services are recorded at the fair value based on current rates for similar legal services.

For the years ended June 30, 2023 and 2022, the Organization's projects received and expended the following in-kind contributions:

	2023	2022
Use of facilities	$ 131,000	$ 137,440
Supplies	195,448	147,170
Professional Services	149,452	3,500
	$ 475,900	**$ 288,110**