

CHILDREN'S ALLIANCE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018)



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**CHILDREN'S ALLIANCE
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(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Alliance
Seattle, Washington

We have audited the accompanying financial statements of Children's Alliance (a Washington nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Alliance as of June 30, 2019, and the results of its activities 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

The 2018 financial statements of Children's Alliance were audited by Watson & McDonell, PLLC whose practice became a part of CliftonLarsonAllen LLP as of February 1, 2019, and whose report dated January 7, 2019, expressed an unmodified opinion on those financial statements from which the prior year summarized information was derived. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, management adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Bellevue, Washington
January 21, 2020

CHILDREN'S ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 780,476	\$ 872,727
Pledges and Grants Receivable, Net of Allowance	623,619	687,221
Contracts and Other Receivables	-	22,500
Prepaid Expenses and Deposits	29,816	48,339
Total Current Assets	<u>1,433,911</u>	<u>1,630,787</u>
FIXED ASSETS		
Furniture and Equipment	90,802	87,843
Leasehold Improvements	111,222	111,222
Less: Accumulated Depreciation and Amortization	<u>(189,957)</u>	<u>(172,479)</u>
Total Fixed Assets	12,067	26,586
OTHER NONCURRENT ASSETS		
Deposit	11,000	11,000
Pledges and Grants Receivable, Net of Current Portion	-	262,740
Total Noncurrent Assets	<u>11,000</u>	<u>273,740</u>
Total Assets	<u><u>\$ 1,456,978</u></u>	<u><u>\$ 1,931,113</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 50,436	\$ 46,773
Payroll Taxes and Benefits Payable	3,292	1,077
Accrued Vacation Payable	37,905	36,085
Total Current Liabilities	<u>91,633</u>	<u>83,935</u>
NONCURRENT LIABILITIES		
Deferred Rent	-	14,402
Total Liabilities	<u>91,633</u>	<u>98,337</u>
NET ASSETS		
Without Donor Restrictions	499,345	548,276
With Donor Restrictions	866,000	1,284,500
Total Net Assets	<u>1,365,345</u>	<u>1,832,776</u>
Total Liabilities and Net Assets	<u><u>\$ 1,456,978</u></u>	<u><u>\$ 1,931,113</u></u>

See accompanying Notes to Financial Statements.

**CHILDREN'S ALLIANCE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
REVENUE, SUPPORT, AND GAINS				
Event Revenue	\$ 186,543	\$ -	\$ 186,543	\$ 178,758
Less: Cost of Direct Benefits to Donors	(43,304)	-	(43,304)	(34,851)
Event Revenue, Net	143,239	-	143,239	143,907
Grants, Corporate and Foundation Contributions	440,000	469,000	909,000	1,913,285
Organizational Membership Dues	94,097	5,500	99,597	142,972
Contract Revenue	42,043	-	42,043	46,276
In-Kind Donations	25,000	-	25,000	20,000
Other Income	-	-	-	490
Net Assets Released from Restrictions	8,770	-	8,770	8,415
Total Revenue, Support, and Gains	<u>1,646,149</u>	<u>(418,500)</u>	<u>1,227,649</u>	<u>2,275,345</u>
EXPENSES				
Program Services	1,303,444	-	1,303,444	975,099
Administration	244,441	-	244,441	258,434
Fundraising	147,195	-	147,195	184,306
Total Expenses	<u>1,695,080</u>	<u>-</u>	<u>1,695,080</u>	<u>1,417,839</u>
CHANGE IN NET ASSETS	(48,931)	(418,500)	(467,431)	857,506
Net Assets - Beginning of Year	<u>548,276</u>	<u>1,284,500</u>	<u>1,832,776</u>	<u>975,270</u>
NET ASSETS - END OF YEAR	<u>\$ 499,345</u>	<u>\$ 866,000</u>	<u>\$ 1,365,345</u>	<u>\$ 1,832,776</u>

See accompanying Notes to Financial Statements.

CHILDREN'S ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	Program	Support Services		Total	Total
	Services	Administration	Fundraising	2019	2018
Salaries and Wages	\$ 660,297	\$ 130,544	\$ 83,173	\$ 874,014	\$ 799,967
Payroll Taxes	56,531	12,397	7,111	76,039	70,229
Employee Benefits	94,212	12,669	10,795	117,676	72,457
Total Salaries and Related Expenses	811,040	155,610	101,079	1,067,729	942,653
Staff Travel	26,593	60	(450)	26,203	15,153
Telephone and Communication	10,977	1,992	-	12,969	13,181
Information Technology	8,668	16,438	1,639	26,745	27,245
Printing	10,494	1,037	6,496	18,027	17,238
Postage	307	233	2,680	3,220	5,109
Rent and Utilities, Net	97,854	16,959	10,485	125,298	114,854
Contract Services	226,027	4,076	59,513	289,616	179,440
Professional Fees	-	17,187	-	17,187	16,240
Supplies	480	3,061	1,013	4,554	11,099
Dues and Subscriptions	3,598	663	145	4,406	3,795
Conferences, Events and Meetings	87,985	1,658	1,207	90,850	56,764
Staff Training	6,216	-	350	6,566	2,619
Advertising	1,203	1,169	421	2,793	2,632
Contributions and Awards	290	1,000	100	1,390	750
Insurance and Bonding	-	9,409	-	9,409	8,243
Depreciation and Amortization	9,678	4,500	3,300	17,478	24,678
Other Expenses	2,034	9,389	2,521	13,944	10,997
Total Expenses by Function	1,303,444	244,441	190,499	1,738,384	1,452,690
Less: Expenses Included with Revenues on the Statement of Activities	-	-	43,304	43,304	34,851
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 1,303,444	\$ 244,441	\$ 147,195	\$ 1,695,080	\$ 1,417,839

See accompanying Notes to Financial Statements.

**CHILDREN'S ALLIANCE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (467,431)	\$ 857,506
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operations:		
Depreciation and Amortization	17,478	24,678
Changes in Operating Assets and Liabilities:		
Contracts and Other Receivables	22,500	(21,350)
Pledges and Grants Receivable, Net	326,342	(596,977)
Prepaid Expenses and Deposits	18,523	(8,321)
Accounts Payable	3,663	27,540
Payroll Taxes and Benefits Payable	2,215	120
Deferred Rent	(14,402)	(16,623)
Accrued Vacation Payable	1,820	(5,577)
Net Cash Provided (Used) by Operating Activities	<u>(89,292)</u>	<u>260,996</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	<u>(2,959)</u>	<u>(14,526)</u>
Net Cash Used by Investing Activities	(2,959)	(14,526)
NET INCREASE (DECREASE) IN CASH and CASH EQUIVALENTS	(92,251)	246,470
Cash and Cash Equivalents - Beginning of Year	<u>872,727</u>	<u>626,257</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 780,476</u></u>	<u><u>\$ 872,727</u></u>

See accompanying Notes to Financial Statements.

**CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Children's Alliance (the Alliance) is a Washington nonprofit corporation whose purpose is to advance fair and just public policy for children and families in the state of Washington. To this end, the Alliance works collaboratively to promote the development and preservation of laws, policies, and programs that support children and families, and to promote awareness of the needs and circumstances of children.

Basis of Accounting

The financial statements of the Alliance have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Alliance considers highly liquid investments with maturities of three months or less to be cash equivalents.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible accounts by adjustment to a valuation allowance based on its assessment of the current status of individual receivables from pledges and grants. The allowance is an estimate based on past experience. It is the Alliance's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Furniture, Equipment, and Leasehold Improvements

Furniture, equipment and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Purchases and improvements over \$500 are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over estimated lives of three to five years. Leasehold improvements are amortized over the remaining term of the lease (see Note 7).

In-Kind Donations

In-kind donations are recorded at their estimated fair market values at the date of donation.

The Alliance recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation.

CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Net Assets

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

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

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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. 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.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Comparative Totals

The financial information includes 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries are allocated based on the time estimated to have been devoted to each service. Other expenses are allocated on the basis of specific identification and on the basis of the allocated salaries.

The services are defined as follows:

Program Services – Expenses incurred in carrying on activities, conferences, and programs.

Administration – Expenses associated with the overall direction of the organization, the provision of accounting services, and office and systems support.

Fundraising – Expenses associated with solicitation of operating funds from individuals and organizations, and related record keeping.

Income Tax

The Alliance is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). It is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Sections 509(a)(1) and 170(b)(1)(A)(vi). The Alliance's income tax filings are subject to examination by various taxing authorities. The Alliance believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

We have evaluated subsequent events through January 21, 2020, the date the financial statements were available to be issued.

CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 780,476
Pledges and Grants Receivable	623,619
Total	<u>\$ 1,404,095</u>

As part of the Alliance's liquidity management plan, they invest cash in excess of daily requirements in money market funds.

NOTE 3 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to the Passage of Time:	
Program Activities	<u>\$ 866,000</u>
Total Net Assets with Donor Restrictions	<u>\$ 866,000</u>

NOTE 4 PLEDGES AND GRANTS RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. Pledges and grants, both with and without donor restrictions, expected to be collected within one year, are recorded at their net realizable value and are shown net of an allowance for doubtful accounts of \$4,000 at June 30, 2019. Pledges and grants that are expected to be collected in greater than one year are recorded at the present value of estimated cash flows, which approximates fair value. No discount was recorded in the current fiscal year, as the amount was immaterial.

Pledges and grants receivable are expected to be realized in the following time frame:

Less than One Year	\$ 627,619
Less: Allowance for Doubtful Accounts	<u>(4,000)</u>
Total	<u>\$ 623,619</u>

CHILDREN'S ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)

NOTE 5 PENSION PLAN

The Alliance maintains a simplified employee pension plan covering all permanent employees. The employer contributes to the pension plan within the limits of available funds. No contributions were made during the year ended June 30, 2019.

NOTE 6 CONCENTRATIONS OF RISK

The Alliance maintains cash balances at high-credit-quality institutions. At times, the bank balances may exceed the federally insured limit. At June 30, 2019, \$621,496 was invested in a bank-insured deposit program which carries FDIC insurance protection. The uninsured cash balance at June 30, 2019 was \$-0-.

In fiscal year 2019, total awards from five grantors represented 64% of revenue and support. At June 30, 2019, three grant awards represented 78% of the total receivable balance.

NOTE 7 LEASES

The Alliance leases office space in Seattle with a current base rate of \$11,539 per month, plus annual increases of 3% and a pro rata share of operating expenses of the building. The lease term expires June 2020. The Alliance also pays rent for monthly parking based on the number of stalls rented.

Rent expense is being recorded on a straight-line basis over the term of the lease in accordance with FASB Accounting Standards Codification Topic 840, *Leases*. The deferred portion of rent is shown as a liability in the statement of financial position.

The Alliance leases equipment at \$772 per month. The lease expires September 2019.

Total rental expenses for these leases in fiscal 2019 were \$124,946. Future minimum payments under the leases are as follows for the year ended June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	<u><u>\$ 145,949</u></u>

NOTE 8 CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for the Alliance. The amounts, if any, of expenditures which may be disallowed by the grantor are recorded at the time that such amounts can be reasonably determined, normally upon notification of the granting agency. During the year ended June 30, 2019, no such adjustments were made.