

**CHILDREN'S ALLIANCE**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH SUMMARIZED FINANCIAL INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2019)**



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

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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, 2020, 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, 2020, 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***

We have previously audited the Children's Alliance's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**CliftonLarsonAllen LLP**

Bellevue, Washington  
December 31, 2020

**CHILDREN'S ALLIANCE**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**  
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2019)

<b>ASSETS</b>	2020	2019
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 681,332	\$ 780,476
Pledges and Grants Receivable, Net of Allowance	222,796	623,619
Contracts and Other Receivables	6,180	-
Prepaid Expenses and Deposits	10,571	29,816
Total Current Assets	920,879	1,433,911
<b>FIXED ASSETS</b>		
Furniture and Equipment	80,057	90,802
Leasehold Improvements	111,222	111,222
Less: Accumulated Depreciation and Amortization	(148,173)	(189,957)
Total Fixed Assets	43,106	12,067
<b>OTHER NONCURRENT ASSETS</b>		
Security Deposit	11,000	11,000
Pledges and Grants Receivable, Net of Current Portion	300,000	-
Total Noncurrent Assets	311,000	11,000
Total Assets	\$ 1,274,985	\$ 1,456,978
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 128,254	\$ 50,436
Payroll Taxes and Benefits Payable	2,918	3,292
Accrued Vacation Payable	30,000	37,905
Total Current Liabilities	161,172	91,633
<b>NONCURRENT LIABILITIES</b>		
Note Payable	202,640	-
Capital Lease Payable	27,222	-
Total Liabilities	391,034	91,633
<b>NET ASSETS</b>		
Without Donor Restrictions	252,151	499,345
With Donor Restrictions	631,800	866,000
Total Net Assets	883,951	1,365,345
Total Liabilities and Net Assets	\$ 1,274,985	\$ 1,456,978

See accompanying Notes to Financial Statements.

**CHILDREN'S ALLIANCE**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
<b>REVENUE, SUPPORT, AND GAINS</b>				
Event Revenue	\$ 34,655	\$ -	\$ 34,655	\$ 186,543
Less: Cost of Direct Benefits to Donors	-	-	-	(43,304)
Event Revenue, Net	34,655		34,655	143,239
Grants, Corporate and Foundation Contributions	628,569	628,800	1,257,369	909,000
Organizational Membership Dues	14,503	-	14,503	42,043
Contract Revenue	-	-	-	25,000
Other Income	3,687	-	3,687	8,770
Net Assets Released from Restrictions	863,000	(863,000)	-	-
Total Revenue, Support, and Gains	1,606,130	(234,200)	1,371,930	1,227,649
<b>EXPENSES</b>				
Program Services	1,330,511	-	1,330,511	1,303,444
Administration	356,312	-	356,312	244,441
Fundraising	166,501	-	166,501	147,195
Total Expenses	1,853,324	-	1,853,324	1,695,080
<b>CHANGE IN NET ASSETS</b>				
	(247,194)	(234,200)	(481,394)	(467,431)
Net Assets - Beginning of Year	499,345	866,000	1,365,345	1,832,776
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 252,151</u>	<u>\$ 631,800</u>	<u>\$ 883,951</u>	<u>\$ 1,365,345</u>

See accompanying Notes to Financial Statements.

**CHILDREN'S ALLIANCE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	Program Services	Support Services		Total 2020	Total 2019
		Administration	Fundraising		
Salaries and Wages	\$ 637,429	\$ 158,949	\$ 115,239	\$ 911,617	\$ 874,014
Payroll Taxes	52,132	13,136	10,800	76,068	76,039
Employee Benefits	72,091	6,847	14,385	93,323	117,676
Total Salaries and Related Expenses	761,652	178,932	140,424	1,081,008	1,067,729
Staff Travel	21,772	323	-	22,095	26,203
Telephone and Communication	3,664	3,835	-	7,499	12,969
Information Technology	9,763	23,836	665	34,264	26,745
Printing	5,468	4,300	1,454	11,222	18,027
Postage	7	457	528	992	3,220
Rent and Utilities, Net	117,980	21,649	18,691	158,320	125,298
Contract Services	342,981	72,534	-	415,515	289,616
Professional Fees	-	14,700	1,659	16,359	17,187
Supplies	3,510	5,795	85	9,390	4,554
Dues and Subscriptions	3,761	870	-	4,631	4,406
Conferences, Events and Meetings	47,690	7,306	-	54,996	90,850
Staff Training	1,028	395	-	1,423	6,566
Advertising	-	-	1,188	1,188	2,793
Contributions and Awards	500	650	-	1,150	1,390
Insurance and Bonding	-	11,330	-	11,330	9,409
Depreciation and Amortization	5,431	1,374	1,374	8,179	17,478
Other Expenses	5,304	8,026	433	13,763	13,944
Total Expenses by Function	1,330,511	356,312	166,501	1,853,324	1,738,384
Less: Expenses Included with Revenues on the Statement of Activities	-	-	-	-	43,304
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 1,330,511	\$ 356,312	\$ 166,501	\$ 1,853,324	\$ 1,695,080

See accompanying Notes to Financial Statements.

**CHILDREN'S ALLIANCE**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (481,394)	\$ (467,431)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	8,179	17,478
Changes in Operating Assets and Liabilities:		
Contracts and Other Receivables	(6,180)	22,500
Pledges and Grants Receivable, Net	100,823	326,342
Prepaid Expenses and Deposits	19,245	18,523
Accounts Payable	77,818	3,663
Payroll Taxes and Benefits Payable	(374)	2,215
Deferred Rent	-	(14,402)
Accrued Vacation Payable	(7,905)	1,820
Net Cash Used by Operating Activities	(289,788)	(89,292)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Equipment	(11,996)	(2,959)
Net Cash Used by Investing Activities	(11,996)	(2,959)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Note Payable	202,640	-
Cash Provided by Financing Activities	202,640	-
<b>NET DECREASE IN CASH and CASH EQUIVALENTS</b>	(99,144)	(92,251)
Cash and Cash Equivalents - Beginning of Year	780,476	872,727
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 681,332	\$ 780,476

See accompanying Notes to Financial Statements.

**CHILDREN'S ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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 3 to 5 years. Leasehold improvements are amortized over the remaining term of the lease (see Note 8).

**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, 2020**

**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, 2019, from which the summarized information was derived.

**CHILDREN'S ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 (IRC) Section 501(c)(3). It is not a private foundation within the meaning of Section 509(a) of the IRC 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 Principles**

For the year ended June 30, 2020, the Alliance adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Alliance recognizes revenue over time as the revenues are earned. The Alliance's financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative-effect adjustments in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Alliance's reported historical revenue.

**CHILDREN'S ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principles (Continued)**

In June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU was adopted for year ended June 30, 2020. There was no material impact on the entity's financial position or change in net assets upon adoption of the new standard.

**Contributions**

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. There were no conditional promises to give at June 30, 2020.

**Subsequent Events**

We have evaluated subsequent events through December 31, 2020, the date the financial statements were available to be issued.

**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	\$ 681,332
Pledges and Grants Receivable	222,796
Less: Donor Restricted Funds	<u>(479,004)</u>
Total	<u><u>\$ 425,124</u></u>

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

**CHILDREN'S ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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:	
General Operations Support	\$ 483,000
Subject to the Purpose:	
Program Activities	148,800
Total Net Assets with Donor Restrictions	<u>\$ 631,800</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, 2020. 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	\$ 226,796
More than One Year	300,000
Less: Allowance for Doubtful Accounts	<u>(4,000)</u>
Total	<u>\$ 522,796</u>

**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, 2020.

**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, 2020, \$531,800 was invested in a bank-insured deposit program which carries Federal Deposit Insurance Corporation (FDIC) insurance protection. The uninsured cash balance at June 30, 2020 was -\$0-.

In fiscal year 2020, total awards from five grantors represented 79% of revenue and support. At June 30, 2020, one grant award represented 76% of the total receivable balance.

**CHILDREN'S ALLIANCE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 NOTE PAYABLE**

On April 25, 2020, the Alliance received a loan from KeyBank in the amount of \$202,640 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Alliance fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 25, 2020 to October 3, 2020, is the time that a business has to spend their PPP Loan funds.

**NOTE 8 LEASES**

The Alliance leases office space in Seattle with a current base rate of \$11,539 per month and a prorata share of operating expenses of the building. The lease term expired in September 2020. The Alliance also paid rent for monthly parking based on the number of stalls rented. The Alliance has a security deposit with the lessor of \$11,000. As of September 30, 2020, the Alliance is no longer renting a physical building or paying for parking.

The Alliance leases equipment at \$454 per month. The lease expires June 2025.

Total rental expenses for these leases in fiscal year 2020 were \$153,528. Future minimum payments under the leases are as follows for the year ended June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 28,522
2022	5,444
2023	5,444
2024	5,444
2025	5,444
	<u>\$ 50,298</u>

**CHILDREN'S ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 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, 2020, no such adjustments were made.

**NOTE 10 RISKS AND UNCERTAINTIES**

The Alliance's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. Multiple jurisdictions in the U.S. have declared a state of emergency, and it is anticipated that resulting impacts will continue for some time. Future impacts may include increased costs due to changes in the operating environment to accommodate the need for social distancing. The future effects of these issues are unknown.