

CHILDREN'S ALLIANCE

Financial Statements
June 30, 2023 and 2022

Table of Contents

	Page
Independent Auditor's Report	1 and 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10

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Jason Mallon, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children's Alliance
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Children's Alliance (a nonprofit Alliance), 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 financial statements referred to above present fairly, in all material respects, the financial position of Children's Alliance 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. 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 Children's Alliance 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.

Prior Period Financial Statements

The financial statements of Children's Alliance as of June 30, 2022 were audited by other auditors whose report dated February 13, 2023, expressed an unmodified opinion on those statements.

Emphasis of Matter Regarding Change in Accounting Principles

As discussed in Note 1 to the financial statements, the Alliance adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2016-02, Leases (Topic 842). The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with terms greater than one year. Our opinion is not modified with respect to that 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 Children's Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Amanda O'Rourke, CPA
Matt Smith, CPA
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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 generally accepted 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 generally accepted 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 Children's Alliance'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 Children's Alliance'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.

Greenwood Ohlund

Seattle, Washington
March 20, 2024

CHILDREN'S ALLIANCE

STATEMENTS OF FINANCIAL POSITION June 30, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 1,787,266	\$ 1,199,362
Contributions and grants receivable, net	736,773	124,000
Prepaid expenses and other assets	11,982	30,351
Total current assets	2,536,021	1,353,713
Contributions and Grants Receivable, net of current portion	150,000	-
Right-of-Use Asset - Operating Lease	167,697	-
Total assets	<u>\$ 2,853,718</u>	<u>\$ 1,353,713</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,326	\$ 29,205
Accrued salaries and related	40,668	35,185
Operating lease liability	50,830	-
Total current liabilities	92,824	64,390
Operating Lease liability, less current portion	118,062	-
Total liabilities	210,886	64,390
Net Assets		
Without donor restrictions	1,415,763	873,930
With donor restrictions	1,227,069	415,393
Total net assets	2,642,832	1,289,323
Total liabilities and net assets	<u>\$ 2,853,718</u>	<u>\$ 1,353,713</u>

See accompanying notes to financial statements.

CHILDREN'S ALLIANCE

STATEMENTS OF ACTIVITIES For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions and grants	\$ 771,083	\$ 2,011,427	\$ 2,782,510	\$ 858,867	\$ 219,193	\$ 1,078,060
Membership dues	47,910	-	47,910	36,614	-	36,614
Other income	23,010	-	23,010	656	-	656
Net assets released from restrictions	1,199,751	(1,199,751)	-	639,800	(639,800)	-
Total support and revenue	2,041,754	811,676	2,853,430	1,535,937	(420,607)	1,115,330
Expenses						
Program services	1,086,588	-	1,086,588	614,631	-	614,631
Management and general	294,624	-	294,624	304,355	-	304,355
Fundraising	118,709	-	118,709	204,500	-	204,500
Total expenses	1,499,921	-	1,499,921	1,123,486	-	1,123,486
Change in net assets	541,833	811,676	1,353,509	412,451	(420,607)	(8,156)
Net Assets, beginning of year	873,930	415,393	1,289,323	461,479	836,000	1,297,479
Net Assets, end of year	<u>\$ 1,415,763</u>	<u>\$ 1,227,069</u>	<u>\$ 2,642,832</u>	<u>\$ 873,930</u>	<u>\$ 415,393</u>	<u>\$ 1,289,323</u>

See accompanying notes to financial statements.

CHILDREN'S ALLIANCE

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended June 30, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 550,356	\$ 57,302	\$ 42,363	\$ 650,021	\$ 399,538	\$ 165,399	\$ 142,074	\$ 707,011
Payroll taxes	177,674	31,320	13,572	222,566	35,754	15,884	12,128	63,766
Employee benefits	8,809	103,120	3,678	115,607	40,897	17,938	13,173	72,008
Total salaries and related	736,839	191,742	59,613	988,194	476,189	199,221	167,375	842,785
Professional fees	141,476	4,040	21,098	166,614	1,713	21,823	26,686	50,222
Miscellaneous	26,521	38,806	2,609	67,936	2,733	50,460	2,848	56,041
Contract services	63,497	-	-	63,497	129,916	3,017	-	132,933
Occupancy	51,775	4,560	4,252	60,587	-	-	-	-
Conferences and meetings	-	35,357	19,469	54,826	-	-	-	-
Office expenses	27,919	555	8,940	37,414	-	-	-	-
Staff training	27,923	175	206	28,304	2,367	6,581	69	9,017
Printing and postage	6,173	11,453	2,194	19,820	182	2,735	6,322	9,239
Insurance	4,465	7,936	328	12,729	-	11,284	-	11,284
Depreciation	-	-	-	-	1,531	9,234	1,200	11,965
Total expenses	<u>\$ 1,086,588</u>	<u>\$ 294,624</u>	<u>\$ 118,709</u>	<u>\$ 1,499,921</u>	<u>\$ 614,631</u>	<u>\$ 304,355</u>	<u>\$ 204,500</u>	<u>\$ 1,123,486</u>

See accompanying notes to financial statements.

CHILDREN'S ALLIANCE

STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 1,353,509	\$ (8,156)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Amortization of right-of-use asset - operating lease	38,699	-
Forgiveness of Paycheck Protection Program loan	-	(103,532)
Changes in operating assets and liabilities:		
Contributions and grants receivable	(762,773)	220,819
Prepaid expenses and other assets	18,369	16,974
Accounts payable	(27,879)	(36,752)
Operating lease liability	(37,504)	-
Accrued salaries and related	5,483	4,446
	587,904	93,799
Net cash flows from operating activities and cash and cash equivalents		
Cash and Cash Equivalents, beginning of the year	1,199,362	1,105,563
Cash and Cash Equivalents, end of the year	\$ 1,787,266	\$ 1,199,362

See accompanying notes to financial statements.

CHILDREN'S ALLIANCE

NOTES TO FINANCIAL STATEMENTS

Note 1 – Alliance and Summary of Significant Accounting Policies

Alliance

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.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting and have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Alliance are reported in each of the following two classes: without donor restrictions and with donor restrictions. The net assets of Alliance are classified as follows:

- Net assets without donor restrictions are available without restriction for support of the Alliance's operations.
- Net assets with donor restrictions are restricted to be used for certain time periods or purposes, and consisted of the following at June 30:

	2023	2022
Time restricted	\$ 868,696	\$ 200,000
Early Learning	236,353	215,393
Health	122,020	-
	<u>\$ 1,227,069</u>	<u>\$ 415,393</u>

Revenue is reported as an increase in net assets without donor restrictions unless restricted by the donor. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes cash and cash equivalents held at financial institutions. The Alliance considers all short-term securities with an original maturity of three months or less to be cash equivalents. The Alliance has amounts on deposit in excess of federally insured limits although has not experienced any losses from these concentrations.

CHILDREN'S ALLIANCE

NOTES TO FINANCIAL STATEMENTS

Contributions and Grants Receivable

Receivables represent the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable account. Management has established an allowance of \$4,000 at June 30, 2022. No such allowance was considered necessary at June 30, 2023.

Contributions and grants receivable that are expected to be collected in one year are recorded at net realizable value. Contributions and grants receivable over periods in excess of one year are expected to be collected during the year ended June 30, 2025 and are initially recorded at fair value. In arriving at fair value, management can discount these contributions using donor specific risk adjusted discount rates. Management has not recorded a discount at June 30, 2023 and 2022 as they believe it would be immaterial.

At June 30, 2023, receivables from three donors represented 94% of grants and contributions receivable. No such concentrations existed at June 30, 2022.

Revenue Recognition

Contributions and grants are recorded when unconditionally pledged as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

In April 2021, the Alliance received a loan from the Small Business Administration (SBA) under the Paycheck Protection Program (PPP) totaling \$103,532. Conditions of forgiveness of the loan were met during the year ended June 30, 2022, and the Alliance recognized forgiveness to contributions and grants in the statement of activities.

Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2023 and 2022, no such adjustments were made.

During the year ended June 30, 2023 and 2022, three and five donors (excluding that under the PPP loan program from the SBA) represented 54% and 45% of total support and revenue.

Functional 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 and related are allocated based on the time estimated to have been devoted to each service. Remaining expenses are allocated on the basis of specific identification and on the basis of the allocated salaries.

Tax Exemption

The Alliance has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

CHILDREN'S ALLIANCE

NOTES TO FINANCIAL STATEMENTS

Recently Adopted Accounting Standards

The Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases (Topic 842)*, requiring lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with terms longer than 12 months. This new standard increases transparency and comparability among Alliances. The most prominent change required by the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

On July 1, 2022, the Alliance adopted the lease accounting standard and has elected to apply the provisions of this standard to the beginning of the period of adoption using a modified retrospective method of application to all leases existing on July 1, 2022. The adoption of this standard did not result in an adjustment to beginning net assets.

The Alliance has elected to adopt the package of practical expedients available in the year of adoption.

Leases

The Alliance determines if an arrangement is a lease at inception. Operating leases are included in ROU assets and lease liabilities in the statements of financial position.

ROU assets represent the Alliance's right to use an underlying asset for the lease term, and lease liabilities represent the Alliance's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Alliance will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Alliance has elected to recognize payments for short-term leases with terms of 12 months or less as expense as incurred, and these leases are not included as ROU assets or lease liabilities on the statements of financial position. The individual lease contracts do not provide information about the discount rate implicit in the lease. Management has determined that any discount rate used for computing the present value of lease liabilities would be immaterial and as such is not included in these financial statements.

The Alliance has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

Subsequent Events

The Alliance has evaluated subsequent events through the date these financial statements were available to be issued, which was March 20, 2024.

CHILDREN'S ALLIANCE

NOTES TO FINANCIAL STATEMENTS

Note 2 – Liquidity and Availability of Resources

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

The following table reflects the Alliance's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or timing of collection of receivables.

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 1,787,266	\$ 1,199,362
Contributions and grants receivable, net	886,773	124,000
	2,674,039	1,323,362
Less: Amounts Not Available to be Used Within One Year for General Expenditures		
Noncurrent contributions and grants receivable	(150,000)	-
Net assets with donor restrictions for purpose	(358,373)	-
	\$ 2,165,666	\$ 1,323,362

Note 3 – Lease Commitment

In October 2022, the Alliance entered into a noncancellable operating lease for a facility through September 2026. Operating lease expense under this lease was \$38,699 for the year ended June 30, 2023 and is included within occupancy in the statement of functional expenses. Net operating cash flows for operating leases totaled \$37,504 during the year ended June 30, 2023. ROU assets obtained in exchange for new operating lease liabilities totaled \$206,396 during the year ended June 30, 2023.

A maturity analysis of undiscounted cash flows for the lease liability as of June 30, 2023, is as follows:

2024	\$ 50,830
2025	51,704
2026	53,013
2027	13,345
	\$ 168,892

The operating lease liability is presented in the statement of financial position as of June 30, 2023, as follows:

Operating lease liability (a current liability)	\$ 50,830
Operating lease liability, net of current portion	118,062
	\$ 168,892