HARRINGTON GROUP
CERTIFIED PUBLIC ACCOUNTANTS, LLP

FOOTHILL FAMILY SERVICE

FINANCIAL STATEMENTS
and
SUPPLEMENTAL INFORMATION

JUNE 30, 2021

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C O N T E N T S

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foothill Family Service

Report on the Financial Statements

We have audited the accompanying financial statements of Foothill Family Service (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Foothill Family Service as of June 30, 2021, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Statement of Functional Expenses by Program is presented for additional analysis and is now a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Foothill Family Service's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2021, on our consideration of Foothill Family Service'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 Foothill Family Service'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 Foothill Family Service's internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
December 1, 2021

FOOTHILL FAMILY SERVICE

STATEMENT OF FINANCIAL POSITION
June 30, 2021
With comparative totals at June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
ASSETS				
Cash and cash equivalents (Note 2)	$ 9,161,335	$ 141,969	**$ 9,303,304**	$ 12,457,111
Accounts receivables (Note 4)	3,159,903		**3,159,903**	4,186,784
Pledges receivable (Note 5)	129,209	487,996	**617,205**	203,486
Prepaid expenses and other current assets	396,490		**396,490**	298,456
Investments (Note 6)	10,426,980	635,625	**11,062,605**	5,771,378
Property and equipment (Note 8)	12,442,474		**12,442,474**	12,973,064
TOTAL ASSETS	$ 35,716,391	$ 1,265,590	**$ 36,981,981**	$ 35,890,279
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable (Note 9)	$ 7,348,305	$ -	**$ 7,348,305**	$ 4,997,554
Accrued and other current liabilities (Note 10)	3,924,946		**3,924,946**	3,118,485
Government owned assets (Note 8)	61,668		**61,668**	77,725
Bonds payable (Note 12)	6,881,594		**6,881,594**	7,149,985
Refundable government advances - paycheck protection program (Note 13)			**-**	2,382,913
TOTAL LIABILITIES	18,216,513	-	**18,216,513**	17,726,662
NET ASSETS				
Without donor restrictions	17,499,878		**17,499,878**	17,506,546
With donor restrictions (Note 14)		1,265,590	**1,265,590**	657,071
TOTAL NET ASSETS	17,499,878	1,265,590	**18,765,468**	18,163,617
TOTAL LIABILITIES AND NET ASSETS	$ 35,716,391	$ 1,265,590	**$ 36,981,981**	$ 35,890,279

The accompanying notes are an integral part of these financial statements.

FOOTHILL FAMILY SERVICE

STATEMENT OF ACTIVITIES
For the year ended June 30, 2021
With comparative totals for the year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
REVENUE AND SUPPORT				
Program and contracts	$ 10,404,132	$ 16,079,014	**$ 26,483,146**	$ 26,503,651
Contributions	1,011,867	585,000	**1,596,867**	1,601,937
Investment income	1,106,616	30,810	**1,137,426**	83,759
In-kind	769,457		**769,457**	877,688
Special events (net of expenses of $140,202)	228,484		**228,484**	211,007
Other income	2,200		**2,200**	129,681
Net assets released from restrictions (Note 14)	16,086,305	(16,086,305)	**-**	-
TOTAL REVENUE AND SUPPORT	29,609,061	608,519	**30,217,580**	29,407,723
EXPENSES				
Program services	24,664,616		**24,664,616**	24,407,713
Management and general	3,947,013		**3,947,013**	3,773,919
Fund development	1,004,100		**1,004,100**	876,726
TOTAL EXPENSES	29,615,729	-	**29,615,729**	29,058,358
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	(6,668)	608,519	**601,851**	349,365
OTHER CHANGES				
Gain on sale of real property			**-**	8,936,152
TOTAL OTHER CHANGES	-	-	**-**	8,936,152
CHANGE IN NET ASSETS	(6,668)	608,519	**601,851**	9,285,517
NET ASSETS, BEGINNING OF YEAR	17,506,546	657,071	**18,163,617**	8,878,100
NET ASSETS, END OF YEAR	$ 17,499,878	$ 1,265,590	**$ 18,765,468**	$ 18,163,617

The accompanying notes are an integral part of these financial statements.

FOOTHILL FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021
With comparative totals for the year ended June 30, 2020

	Program Services	Management and General	Fund Development	Total Expenses 2021	Total Expenses 2020
Salaries	$ 12,904,998	$ 2,521,228	$ 536,977	**$ 15,963,203**	$ 16,143,795
Employee benefits	3,530,245	690,340	147,003	**4,367,588**	4,371,098
Total personnel costs	16,435,243	3,211,568	683,980	**20,330,791**	20,514,893
Subcontracts	1,772,945			**1,772,945**	1,549,142
Occupancy	1,240,247	215,921	52,630	**1,508,798**	1,502,978
Supplies and printing	986,354	201,224	49,048	**1,236,626**	1,228,666
Bad debt	794,103		51,182	**845,285**	25,241
In-kind expense	679,936		89,521	**769,457**	877,685
Professional fees	528,704	124,255	50,596	**703,555**	753,176
Depreciation	440,186	92,525	1,039	**533,750**	536,193
Contract services	468,325			**468,325**	525,999
Telephones	307,695	59,461	6,167	**373,323**	279,586
Advertising	307,953	4,000	408	**312,361**	15,649
Travel and training	303,931		2,010	**305,941**	613,008
Client Flex Funds	222,178			**222,178**	284,735
Insurance	85,394	16,710	2,982	**105,086**	103,267
Other expenses	64,579	15,712	11,264	**91,555**	227,012
Postage	26,843	5,637	3,273	**35,753**	21,128
TOTAL 2021 FUNCTIONAL EXPENSES	**$ 24,664,616**	**$ 3,947,013**	**$ 1,004,100**	**$ 29,615,729**	
TOTAL 2020 FUNCTIONAL EXPENSES	$ 24,407,713	$ 3,773,919	$ 876,726		$ 29,058,358

The accompanying notes are an integral part of these financial statements.

FOOTHILL FAMILY SERVICE

STATEMENT OF CASH FLOWS
For the year ended June 30, 2021
With comparative totals for the year ended June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 601,851	$ 9,285,517
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	533,750	536,193
(Gain) loss on investments	(1,132,590)	83,759
Reinvested dividends and interests, net of fees	(4,836)	(10,017)
(Gain) on sale of property and equipment	-	(8,962,817)
(Increase) decrease in operating assets:		
Accounts receivable	1,026,881	(243,126)
Pledge receivables	(413,719)	803,681
Prepaid expense and other current assets	(98,034)	93,339
Increase (decrease) in operating liabilities:		
Accounts payable	2,350,751	(228,382)
Accrued expenses and other liabilities	806,461	(2,508,429)
Government owned assets	(16,057)	77,725
Refundable government advances - paycheck protection program	(2,382,913)	2,382,913
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,271,545	1,310,356
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	-	814,854
Purchase of investments	(4,153,801)	(2,983,406)
Proceeds from sale of property and equipment	-	10,175,000
Purchase of property and equipment	(3,160)	(1,350,868)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(4,156,961)	6,655,580
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	-	(2,389,679)
Proceeds from bonds payable	-	2,400,000
Payments on bonds payable	(268,391)	(200,012)
NET CASH (USED) BY FINANCING ACTIVITIES	(268,391)	(189,691)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,153,807)	7,776,245
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,457,111	4,680,866
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,303,304	$ 12,457,111
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflects interest paid of:	$ 134,689	$ 146,040

The accompanying notes are an integral part of these financial statements.

1. Organization

For more than 95 years, Foothill Family Service ("the Agency") has served Southern California in its mission to empower children and families to achieve success in relationships, school, and work through community-based services that advance growth and development. The Agency has earned a reputation for providing high-quality services that establish the foundation for brighter futures in which individuals and families thrive, communities are strengthened, and generations are enriched.

The Agency has adapted to meet the needs of the community for which -- and from which -- it was founded. Grown from a grassroots effort of collecting food and clothing in Pasadena to an organization reaching more than 20,000 of the Greater Los Angeles region's community members annually, the Agency has emerged as a leader in mental health care, early childhood development and school-based behavioral health programs, as well as youth and family services including child abuse prevention and treatment, domestic violence prevention and treatment, and services for pregnant and parenting teens.

The Agency's decades of advancement, expansion, and innovation underscores its proficiency and agility in responding to a complex, shifting landscape of the ever-changing human condition. It is an illustration of deep roots cultivated by a significant past, and far-reaching branches supporting a promising future. Each individual helped promotes lasting change in the present that will ripple outward into communities and forward through generations.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

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

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:

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

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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

continued

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

The Agency has defined cash and cash equivalents as time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Pledged Contributions

Unconditional promises to give that are expected to be collected within one year are recognized at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at amounts approximating fair value, and measured using the present value of future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. An allowance for uncollectible pledges is considered by management based on such factors as prior collection history, type of contribution and the nature of the fund-raising activity.

Investments

The Agency values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain or loss on investments. Short-term highly liquid money market deposits that are not used for operations are treated as investments.

Endowment Investments

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted permanent endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the Agency's activities.

Endowment investments are reported at fair value. The fair value for investments in equity securities traded on national securities exchanges is determined by the closing price on the last business day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price. The fair value of shares in exchange-traded funds is determined by the closing price on the last business day of the fiscal year. The fair value of open-end mutual fund units is determined by the published net asset value per unit at the end of the last trading day of the fiscal year.

The investment and spending policies for the Endowment Fund are discussed in Note 14.

continued

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets
Level 2 inputs – quoted prices in active or inactive markets for the same or similar assets
Level 3 inputs – estimates using the best information available when there is little or no market

The Agency is required to measure its investments, pledged contributions, and in-kind contributions at fair value. The specific techniques used to measure the fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

The Agency places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. The Agency has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2021, consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of the Agency's receivables consist of earned fees from contract programs granted by governmental agencies.

Approximately 87% of the Agency's total revenue and support is derived from program and contract revenue.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method.

Property and equipment purchased with government contract funds are recorded at cost when purchased, and a correspondingly liability is recorded, since these items are deemed the property of the funding agency. When the property is no longer in use, it can revert back to the funding agency, or if the property is sold, the funding agency determines the use of the proceeds (see Note 8).

continued

2. Summary of Significant Accounting Policies, continued

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Income Taxes

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

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Agency in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Agency's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Third Party Reimbursements

Program service fees and contract reimbursements, including retroactive adjustments under reimbursement agreements, are reported at the estimated net realizable amounts from third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods, as final settlements are determined.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies (including pass-through grant revenue) is subject to independent audit under the Uniform Guidance and review by grantor agencies. In addition, the Agency receives grant revenue from local government agencies which is also subject to independent audit and review by the grantor agencies. These audits or reviews could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Agency's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Agency.

Functional Allocation of Expenses

Costs of providing the Agency's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Agency uses full-time equivalents to allocate indirect costs.

continued

2. Summary of Significant Accounting Policies, continued

Use of Estimates

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

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Subsequent Events

On October 14, 2021 Foothill Family purchase a 10,682 square foot office building at 960 West Mission Blvd., Pomona, CA. The purchase price for the building was $2,750,000 and the Agency financed $2,062,000 of the purchase price with a cash secured loan.

Management has evaluated subsequent events through December 1, 2021, the date which the financial statements were available for issue. Except noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Liquidity and Availability of Resources

The Agency monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Agency's core revenues comes primarily from multiyear government contracts. These program related revenues, in general, are sufficient to cover the organization's program and administrative operating expenses for the next 12 months.

Even with stable and predictable revenue, in order to project against uncertainty, the Agency has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating cash expenses, which are, on average, approximately $6,900,000. Additionally, the Agency has a goal to hold the equivalent of one month of salaries in cash or cash equivalent.

continued

3. **Liquidity and Availability of Resources**, continued

As of June 30, 2021, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash and cash equivalents	$ 9,303,304
Investments	11,062,605
Accounts receivable	3,159,903
Pledges receivable	617,205
Total financial assets	24,143,017
Less: amounts not available to be used with one year:	
Endowment assets	683,927
Pledge collectible in one to five years	402,205
Financial assets available to meet general expenditures within one year	$23,056,885

4. **Accounts Receivables**

Accounts receivables at June 30, 2021 and 2020, consist of the following:

	2021	2020
Contract receivables	**$1,850,905**	$2,608,545
Patient receivables	**1,992**	995
Due from L.A. County Department of Mental Health ("DMH")	**1,308,268**	1,577,594
	3,161,165	4,187,134
Less: allowance for uncollectible accounts	**(1,262)**	(350)
	$3,159,903	$4,186,784

5. **Pledges Receivable**

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at the estimated fair present value at June 30, 2021 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2021. Using a rate of 3%, the discount on pledges receivable is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Pledges receivable of $617,205 at June 30, 2021 are expected to be collected as follows:

Within one year	$215,000
One to five years	402,205
	$617,205

6. Investments

Investments at June 30, 2021 and 2020, consist of the following:

	2021	2020
Mutual funds	**$ 1,164,556**	$4,598,159
Exchange traded funds	**9,898,049**	1,173,219
	$11,062,605	$5,771,378

Investment income for the years ended June 30, 2021 and 2020 consists of the following:

	2021	2020
Interest and dividends	**$ 4,836**	$ 36,594
Unrealized (loss) gains	**1,065,486**	(1,696)
Realized gains	**67,104**	48,861
	$1,137,426	$ 83,759

7. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2021 on a recurring basis:

	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	$ 1,164,556	$ -	$ -	**$ 1,164,556**
Exchange traded funds	9,898,049			**9,898,048**
	$11,062,605	$ -	$ -	**$11,062,605**

The fair value of mutual funds and exchange traded funds have been measured on a recurring basis using quoted prices for identical assets in active market (Level 1 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2021:

	Level 1	**Level 2**	**Level 3**	**Total**
Pledged contributions - new	$ -	$ -	$600,751	**$ 600,751**
Donated materials and services	769,457			**769,457**
Total investments	$769,457	$ -	$600,751	**$1,370,208**

The fair value of pledged contributions - new is measured using the best information available when there is little or no market (Level 3). The fair value of donated materials and services has been measured on a non-recurring basis using quoted prices for similar assets in inactive market (Level 1 inputs).

continued

8. Property and Equipment

Property and equipment at June 30, 2021 consist of the following:

	Owned	Government Owned	Total
Land	$ 5,143,175	$ -	**$ 5,143,175**
Building	5,747,504		**5,747,504**
Leasehold improvements	3,596,590		**3,596,590**
Equipment	1,091,021	80,281	**1,171,302**
Origination fees	120,207		**120,207**
	15,698,497	80,281	**15,778,778**
Less: accumulated depreciation	(3,317,691)	(18,613)	**(3,336,304)**
	$12,380,806	$ 61,668	**$12,442,474**

Depreciation expense for the year ended June 30, 2021 was $533,750.

The useful lives of property and equipment for purposes of computing depreciation are:

Buildings and improvements	10-40 years
Furniture and fixtures	5-10 years

9. Accounts Payable

Accounts payable at June 30, 2021 and 2020, consist of the following:

	2021	2020
Trade payables	**$ 695,461**	$ 629,690
Due to L.A. County DMH*	**6,652,844**	4,367,864
	$7,348,305	$4,997,554

*Represents the Agency's calculation of liabilities over multiple contract years pending settlement with L.A. County DMH.

10. Accrued and Other Current Liabilities

Following is a summary of accrued and other current liabilities at June 30, 2021 and 2020:

	2021	2020
Accrued payroll, compensated absences, and related taxes	**$1,764,555**	$1,675,268
Reserve – contract adjustments	**1,684,112**	1,224,972
Deferred revenue	**320,097**	122,458
Other current liabilities	**156,182**	95,787
	$3,924,946	$3,118,485

continued

11. Concentrations

The Agency's two largest funding sources during the years ended June 30, 2021 and 2020, Early Head Start and DMH, represent 29% and 35% of total revenue, respectively.

12. Bonds Payable

On March 1, 2019, the California Infrastructure and Economic Development Bank issued Tax Exempt Revenue Bonds ("Bonds") to the Agency in the principal amount of $5,000,000. The Bonds bear interest at 3.615% with a maturity date of March 2029. The proceeds from the sale of the Bonds were used to purchase real property in Pasadena and West Covina.

During the year 2020, the BBVA Mortgage Corporation issued Tax Exempt Revenue Bonds ("Bonds") to the Agency in the principal amount of $2,400,000. The Bonds bear interest at 2.7180% with a maturity date of March 2029. The proceeds from the sale of the bonds were used to pay off the notes payable outstanding balance. The notes had been used to purchase real property in Covina and to refinance a Mortgage on real property In Duarte.

Total outstanding Bonds at June 30, 2021	$6,881,594

As required by the terms of the Bonds, the Agency is required to satisfy certain debt covenants. The Agency met their required restrictive debt covenants at June 30, 2021.

Future maturities of the Bonds are as follows:

Year ending June 30,	
2022	$ 261,380
2023	261,380
2024	261,380
2025	261,380
2026	261,380
Thereafter	5,574,694
	$6,881,594

13. Refundable Government Advance – Paycheck Protection Program

In April 2020, the Agency received a refundable government advance in the amount of $3,585,125 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for advances to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The refundable government advances are forgivable after twenty four weeks as long as the borrower uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

continued

13. Refundable Government Advance – Paycheck Protection Program, continued

The unforgiven portion of the PPP is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Agency decided to use the proceeds for purposes consistent with the PPP under International Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance. The Agency currently believes that its use of the proceeds met the conditions for forgiveness.

Revenue related to PPP loan for the year ended June 30, 2021 and 2020 were $2,382,913 and $1,202,212, respectively. The use of the loan proceeds met the conditions for forgiveness of the loans, as a result, on June 10, 2021, the PPP loan forgiveness applications for $3,585,125 was approved by the Small Business Administration (SBA).

The SBA reserves the right to review any loan in their discretion and the SBA will review a loan of any size at any time. Areas of review include eligibility, necessity, calculation of the loan amount, use of loan proceeds, and the calculation of the loan forgiveness amount. PPP loan documentation should be retained for six years after the date the loan is forgiven or repaid in full.

14. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2021 consist of the following:

Purpose and time restrictions	$ 581,663
Perpetual in nature	683,927
	$1,265,590

For the year ended June 30, 2021, net assets released from purpose restrictions were $16,086,305.

Endowments

The Agency's endowment consists of one Endowment Fund established by donors (referred to as donor-restricted endowment funds). As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The state of California enacted the Uniform Prudent Management of Institutional Fund Act ("UPMIFA") effective January 1, 2009. UPMIFA establishes law for the management and investment of donor-restricted endowment funds. The Board of Directors of the Agency has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted permanent endowment funds unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets (a) the original value of gifts donated to all donor-restricted permanent endowments, (b) the original value of any subsequent gifts to donor-restricted permanent endowments, and (c) the original value of accumulations to donor-restricted permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

continued

14. Net Assets With Donor Restrictions, continued

UPMIFA permits the Agency to appropriate for expenditure or accumulate as much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the Agency must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- The duration and preservation of the endowment fund
- The purposes of the Agency and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Agency
- The investment policy of the Agency

The net asset composition of the endowment for the year ended June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Investments	$865,178	$635,625	**$1,500,803**
Pledges receivable		100	**100**
Cash		48,202	**48,202**
	$865,178	$683,927	**$1,549,105**

The Agency has an investment policy specific to its Endowment Fund, which is monitored by the Investment Committee of its Board of Directors. The investment policy describes the objective for the fund and sets ranges for asset allocation. The objective of the Endowment Fund is to earn an absolute return on the Endowment Fund that will provide a sustainable and increasing level of endowment income to support the Agency's annual operating budget, while increasing the real economic value of the Endowment Fund. The Investment Manager will be evaluated based on their performance relative to an appropriate benchmark and against a universe of similarly managed funds. This evaluation will examine a rolling three and five year period. The return goal of the Investment Fund, measured over a full market cycle, shall be the performance of an appropriate blended benchmark, net of fees, plus 25 to 50 basis points. Currently, the Investment Committee is using Morgan Stanley's "Basic Benchmark" in assessing long term performance. Actual returns in any given year may vary from this amount. In light of this return requirement, the portfolio is constructed using a total return approach with significant portion of the funds invested to seek growth of principal over time. The assets are invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted.

continued

14. Net Assets With Donor Restrictions, continued

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type:

Asset category	Minimum	Maximum
Equity	35%	65%
Fixed income	10%	60%
Alternative strategies	0%	30%
Cash equivalents	2%	25%

It is expected that, in general, the portfolio shall be well diversified with respect to sector, industry, and issuer in accordance with the stated guidelines. If the Investment Committee chooses to invest in a mutual fund in order to meet the investment objectives of the Investment Funds, the fund shall be an open-end mutual fund and registered under the Investment Agency Act of 1940. Although it is recognized that a mutual fund's policies, guidelines, and techniques may not be consistent in all aspects with those outlined in this policy, it is expected that the mutual fund's policies and techniques will agree substantially with those of this policy. Any policy or technique of the mutual fund, which is not consistent with this investment policy, shall be reviewed by the Investment Manager and accepted by the Investment Committee.

The Board of Directors recognizes that reinvesting income and capital gains are an important factor in the growth of the Endowment Fund. It is therefore the policy of the Agency to reinvest all income and capital gains from the Endowment Fund until such later date as it may be prudent to spend such income or capital gains. However, annually up to 5% of the last three year's average valuation (the "Spending Rate"), based on audited financial statements, of the unrestricted board designated net assets and permanent endowment may be transferred to the Agency's operating budget. There will be no other capital transfers by the Investment Committee without prior approval of the full Board of Directors. The Spending Rate may range from 3-5% and will be determined annually by the Board upon the recommendation of the Investment Committee.

In establishing this policy, the Agency considered the long term expected return on its Endowment Fund investments and set the rate with the objective of maintaining the purchasing power of its donor-restricted permanent endowment funds over time.

The changes in endowment net assets for the year ended June 30, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning, July 1, 2020	$564,563	$653,175	**$1,217,738**
Net appreciation (including net realized and unrealized gain/losses)	300,615		**300,615**
Donation		30,752	**30,752**
Ending, June 30, 2021	$865,178	$683,927	**$1,549,105**

continued

15. Commitments and Contingencies

Obligations Under Operating Leases

The Agency leases two facilities under non-cancelable operating lease agreements. Future minimum lease payments for all leases with initial terms of one year or more are as follows at June 30, 2021:

Year ending June 30,	
2022	$ 644,615
2023	399,582
2024	282,507
2025	4,354
	$1,331,058

Rental expense on all operating leases for the years ended June 30, 2021 and 2020 was $765,492 and $668,280, respectively.

Contracts

The Agency's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Agency has no provisions for the possible disallowance of program costs on its financial statements.

Impact of COVID-19 Virus

Following the Los Angeles County, and State "Safer at Home" order to close all non-essential business activities, the Agency has been conducting business as usual under Safer at Home protocols. The long-term impact of the COVID-19 virus on the Agency cannot be foreseen at this time and is not reflected in these financial statements.

16. Benefit Plans

The Agency sponsors a noncontributory defined contribution pension plan that covers all full time employees with more than one year of service. Contributions to the plan are based on a percentage of gross wages. All contributions to the plan are through salary reduction agreements between the Agency and its employees. The Agency also sponsors a flexible premium deferred annuity compensation agreement under IRS Section 457(b) for all eligible highly compensated employees, the assets and liabilities of which are recorded on the Statements of Financial Position. As of June 30, 2021 and 2020, $109,183 and $93,344, respectively, has been deferred based on elections made by the Agency.

For the years ended June 30, 2021 and 2020, the total pension expense was $628,502 and $518,289, respectively.

continued

17. Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

The FASB's recent deferral will allow private companies and nonprofits that haven't already adopted the ASU 2016-02 to apply it fiscal years beginning after December 31, 2021. The Agency is currently evaluating the effect this standard will have on the financial statements and disclosure.

SUPPLEMENTAL INFORMATION

FOOTHILL FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM
For the year ended June 30, 2021

	Program Services									
	Mental Health Services	**Early Child**	**Teen Parent Families and Youth Development**	**Child Abuse Child Welfare**	**Domestic Violence**	**Family Counseling**	**Total Program Services**	**Management and General**	**Fund Development**	**Total**
Salaries	$ 6,766,471	$ 4,247,272	$ 182,955	$ 974,944	$ 466,204	$ 267,152	$ 12,904,998	$ 2,521,228	$ 536,977	**$ 15,963,203**
Employee benefits	1,839,830	1,173,283	49,204	265,737	128,236	73,955	3,530,245	690,340	147,003	**4,367,588**
Total personnel costs	8,606,301	5,420,555	232,159	1,240,681	594,440	341,107	16,435,243	3,211,568	683,980	**20,330,791**
Subcontracts		1,730,153		42,792			1,772,945			**1,772,945**
Occupancy	649,483	434,320	13,636	79,364	35,375	28,069	1,240,247	215,921	52,630	**1,508,798**
Supplies and printing	184,402	664,381	20,408	43,185	68,428	5,550	986,354	201,224	49,048	**1,236,626**
Bad debt	794,103						794,103		51,182	**845,285**
In-kind expense	65,942	566,775	1,723	38,632	4,530	2,334	679,936		89,521	**769,457**
Professional fees	170,460	307,411	6,985	24,341	12,842	6,665	528,704	124,255	50,596	**703,555**
Depreciation	268,062	46,290	14,051	67,823	26,796	17,164	440,186	92,525	1,039	**533,750**
Contract services	468,325						468,325			**468,325**
Telephones	159,654	97,285	5,710	26,250	13,160	5,636	307,695	59,461	6,167	**373,323**
Advertising	1,509	305,404	54	326	588	72	307,953	4,000	408	**312,361**
Travel and training	86,296	166,156	3,263	23,544	24,415	257	303,931		2,010	**305,941**
Client Flex Funds	51,812	37,792	2,425	119,056	10,517	576	222,178			**222,178**
Insurance	37,492	34,166	1,437	7,158	3,593	1,548	85,394	16,710	2,982	**105,086**
Other expenses	45,122	13,352	467	3,110	1,326	1,202	64,579	15,712	11,264	**91,555**
Postage	11,685	9,442	791	3,492	939	494	26,843	5,637	3,273	**35,753**
TOTAL FUNCTIONAL EXPENSES	**$ 11,600,648**	**$ 9,833,482**	**$ 303,109**	**$ 1,719,754**	**$ 796,949**	**$ 410,674**	**$ 24,664,616**	**$ 3,947,013**	**$ 1,004,100**	**$ 29,615,729**

See independent auditors' report.