

**FOOTHILL FAMILY SERVICE**

---

**FINANCIAL STATEMENTS  
and  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2022**

## CONTENTS

---

Independent Auditors' Report	1-3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-22
Supplemental Information:	
Statement of Functional Expenses by Program	23

## INDEPENDENT AUDITORS' REPORT

---

To the Board of Directors  
Foothill Family Service

### Opinion

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, 2022, 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 Foothill Family Service as of June 30, 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foothill Family Service and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 Foothill Family Service's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## INDEPENDENT AUDITORS' REPORT

continued

---

### **Auditors' 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 auditors' 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, including omissions, 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 Foothill Family Service'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 Foothill Family Service's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Other Matter**

#### *Report on Summarized Comparative Information*

We have previously audited Foothill Family Service's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## INDEPENDENT AUDITORS' REPORT

continued

---

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022, 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  
November 16, 2022

**FOOTHILL FAMILY SERVICE**

STATEMENT OF FINANCIAL POSITION

June 30, 2022

With comparative totals at June 30, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 7,416,393	\$ 187,997	\$ 7,604,390	\$ 9,303,304
Accounts receivables (Note 4)	2,926,980		2,926,980	3,159,903
Pledges receivable (Note 5)	470,549	301,896	772,445	617,205
Prepaid expenses and other current assets	359,660		359,660	396,490
Investments (Note 6)	9,300,032	635,625	9,935,657	11,062,605
Property and equipment (Note 8)	14,814,809		14,814,809	12,442,474
	<b>\$ 35,288,423</b>	<b>\$ 1,125,518</b>	<b>\$ 36,413,941</b>	<b>\$ 36,981,981</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts payable (Note 9)	\$ 6,350,399	\$ -	\$ 6,350,399	\$ 7,348,305
Accrued and other current liabilities (Note 10)	3,845,600		3,845,600	3,924,946
Government owned assets (Note 8)	233,321		233,321	61,668
Bonds payable (Note 12)	8,312,032		8,312,032	6,881,594
	<b>18,741,352</b>	<b>-</b>	<b>18,741,352</b>	<b>18,216,513</b>
<b>NET ASSETS</b>				
Without donor restrictions	16,547,071		16,547,071	17,499,878
With donor restrictions (Note 13)		1,125,518	1,125,518	1,265,590
	<b>16,547,071</b>	<b>1,125,518</b>	<b>17,672,589</b>	<b>18,765,468</b>
	<b>\$ 35,288,423</b>	<b>\$ 1,125,518</b>	<b>\$ 36,413,941</b>	<b>\$ 36,981,981</b>

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

**FOOTHILL FAMILY SERVICE**

STATEMENT OF ACTIVITIES

For the year ended June 30, 2022

With comparative totals for the year ended June 30, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022</b>	<b>2021</b>
<b>REVENUE AND SUPPORT</b>				
Program and contracts	\$ 12,656,380	\$ 14,436,640	\$ 27,093,020	\$ 26,483,146
Contributions	2,083,964	112,800	2,196,764	1,596,867
In-kind (Note 2)	227,676	469,147	696,823	769,457
Special events (net of expenses of \$141,882)	234,303		234,303	228,484
Other income	17,866		17,866	2,200
Investment (loss) gain	(1,039,012)	9,160	(1,029,852)	1,137,426
Net assets released from restrictions (Note 13)	15,167,819	(15,167,819)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>29,348,996</b>	<b>(140,072)</b>	<b>29,208,924</b>	<b>30,217,580</b>
<b>EXPENSES</b>				
Program services	25,280,008		25,280,008	24,664,616
Management and general	4,088,402		4,088,402	3,947,013
Fund development	933,393		933,393	1,004,100
<b>TOTAL EXPENSES</b>	<b>30,301,803</b>	<b>-</b>	<b>30,301,803</b>	<b>29,615,729</b>
<b>CHANGE IN NET ASSETS</b>	<b>(952,807)</b>	<b>(140,072)</b>	<b>(1,092,879)</b>	<b>601,851</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>17,499,878</b>	<b>1,265,590</b>	<b>18,765,468</b>	<b>18,163,617</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 16,547,071</b>	<b>\$ 1,125,518</b>	<b>\$ 17,672,589</b>	<b>\$ 18,765,468</b>

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

**FOOTHILL FAMILY SERVICE**

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2022

With comparative totals for the year ended June 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Development</u>	<u>Total Expenses</u>	
				2022	2021
Salaries	\$ 12,939,966	\$ 2,669,183	\$ 514,454	<b>\$ 16,123,603</b>	\$ 15,963,203
Employee benefits	3,540,995	733,983	141,582	<b>4,416,560</b>	4,367,588
Total personnel costs	16,480,961	3,403,166	656,036	<b>20,540,163</b>	20,330,791
Subcontracts	2,053,386			<b>2,053,386</b>	1,772,945
Supplies and printing	1,431,990	141,307	30,561	<b>1,603,858</b>	1,236,626
Occupancy	1,290,478	223,991	44,827	<b>1,559,296</b>	1,508,798
Professional fees	859,484	118,620	53,081	<b>1,031,185</b>	703,555
In-kind expense	574,199		122,624	<b>696,823</b>	769,457
Advertising	588,961	4,000	530	<b>593,491</b>	312,361
Depreciation	460,749	97,553	836	<b>559,138</b>	533,750
Contract services	486,468			<b>486,468</b>	468,325
Travel and training	408,188	21	1,369	<b>409,578</b>	305,941
Client flex funds	268,343			<b>268,343</b>	222,178
Telephones	194,989	40,390	3,522	<b>238,901</b>	373,323
Other expenses	73,480	36,833	2,507	<b>112,820</b>	91,555
Insurance	88,880	18,385	2,901	<b>110,166</b>	105,086
Postage	19,293	4,136	599	<b>24,028</b>	35,753
Bad debt reserve	159		14,000	<b>14,159</b>	845,285
<b>TOTAL 2022 FUNCTIONAL EXPENSES</b>	<b><u>\$ 25,280,008</u></b>	<b><u>\$ 4,088,402</u></b>	<b><u>\$ 933,393</u></b>	<b><u>\$ 30,301,803</u></b>	
<b>TOTAL 2021 FUNCTIONAL EXPENSES</b>	<b><u>\$ 24,664,616</u></b>	<b><u>\$ 3,947,013</u></b>	<b><u>\$ 1,004,100</u></b>		<b><u>\$ 29,615,729</u></b>

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



**FOOTHILL FAMILY SERVICE**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2022

With comparative totals for the year ended June 30, 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (1,092,879)	\$ 601,851
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	559,138	533,750
Loss (gain) on investments	1,032,149	(1,132,590)
Reinvested dividends and interests, net of fees	(2,297)	(4,836)
(Increase) decrease in operating assets:		
Accounts receivable	232,923	1,026,881
Pledge receivables	(155,240)	(413,719)
Prepaid expense and other current assets	36,830	(98,034)
Increase (decrease) in operating liabilities:		
Accounts payable	(997,906)	2,350,751
Accrued expenses and other liabilities	(79,346)	806,461
Government owned assets	171,653	(16,057)
Refundable government advances - paycheck protection program loan	-	(2,382,913)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(294,975)</b>	<b>1,271,545</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	97,096	-
Purchase of investments	-	(4,153,801)
Purchase of property and equipment	(2,931,473)	(3,160)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(2,834,377)</b>	<b>(4,156,961)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from bonds payable	2,062,000	-
Payments on bonds payable	(631,562)	(268,391)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>1,430,438</b>	<b>(268,391)</b>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,698,914)</b>	<b>(3,153,807)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>9,303,304</b>	<b>12,457,111</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 7,604,390</b>	<b>\$ 9,303,304</b>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Operating activities reflects interest paid of:	<b>\$ 142,628</b>	<b>\$ 134,689</b>

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

# FOOTHILL FAMILY SERVICE

## NOTES TO 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.

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 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 13.

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 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, 2022, 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 93% 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 corresponding 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).

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 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.

Donated materials and services for the year ended June 30, 2022 and 2021, consist of the following:

<b>Nonfinancial Assets</b>	<b>June 30, 2022</b>	<b>Usage in Programs</b>	<b>Donor Restrictions</b>	<b>Fair value Techniques</b>
Supplies	\$227,676	All programs	None	Estimated retail prices of identical or similar products if purchased
COVID supplies	5,250	PAIRS	PAIRS	Estimated retail prices of identical or similar products if purchased
Volunteered time	<u>463,897</u>	EHS, CHAT, Elder Abuse	EHS, CHAT, Elder Abuse	Estimated based on market rates of equivalent job title
	<u>\$696,823</u>			

#### 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.

continued

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 2. Summary of Significant Accounting Policies, continued

#### 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.

#### 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.

#### Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items, to increase transparency and comparability surrounding contributed nonfinancial assets through enhancements to presentation and disclosure. The ASU requires to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, include in disclosures a disaggregation of the amount of contributed nonfinancial assets by category, for each category, additional qualitative disclosures. The update does not change existing recognition and measurement requirements for contributed nonfinancial assets. The ASU is effective for fiscal years beginning after June 15, 2021. The Agency's financial statements for the year ended June 30, 2022 are presented in accordance with ASU 2020-07.

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 2. Summary of Significant Accounting Policies, continued

#### 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, 2021, from which the summarized information was derived.

#### Subsequent Events

Management has evaluated subsequent events through November 16, 2022, the date which the financial statements were available for issue. No 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.

As of June 30, 2022, 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	\$ 7,604,390
Investments	9,935,657
Accounts receivable	2,926,980
Pledges receivable	<u>772,445</u>
Total financial assets	21,239,472
Less: amounts not available to be used with one year:	
Endowment assets	666,389
Pledge collectible in one to five years	<u>117,500</u>
Financial assets available to meet general expenditures within one year	<u>\$20,455,583</u>

continued

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 4. Accounts Receivables

Accounts receivables at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Contract receivables	\$1,617,567	\$1,850,905
Patient receivables	1,595	1,992
Due from L.A. County Department of Mental Health (“DMH”)	<u>1,308,268</u>	<u>1,308,268</u>
	2,927,430	3,161,165
Less: allowance for uncollectible accounts	<u>(450)</u>	<u>(1,262)</u>
	<u>\$2,926,980</u>	<u>\$3,159,903</u>

### 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, 2022 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2022. Using a rate of 3%, the discount on pledges receivable is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Pledges receivable of \$772,445 at June 30, 2022 are expected to be collected as follows:

Within one year	\$654,945
One to five years	<u>117,500</u>
	<u>\$772,445</u>

### 6. Investments

Investments at June 30, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$1,654,830	\$ 1,164,556
Exchange traded funds	<u>8,280,827</u>	<u>9,898,049</u>
	<u>\$9,935,657</u>	<u>\$11,062,605</u>

Investment income for the years ended June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 2,297	\$ 4,836
Unrealized (loss) gain	(1,084,967)	1,065,486
Realized (loss) gains	<u>52,820</u>	<u>67,104</u>
	<u>\$(1,029,850)</u>	<u>\$1,137,426</u>

continued



# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 7. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2022 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$1,654,830	\$ -	\$ -	<b>\$1,654,830</b>
Exchange traded funds	<u>8,280,827</u>	<u>          </u>	<u>          </u>	<b><u>8,280,827</u></b>
	<u>\$9,935,657</u>	<u>\$ -</u>	<u>\$ -</u>	<b><u>\$9,935,657</u></b>

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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions - new	\$ -	\$ -	\$430,549	<b>\$ 430,549</b>
Donated materials and services	<u>-</u>	<u>696,823</u>	<u>          </u>	<b><u>696,823</u></b>
Total investments	<u>\$ -</u>	<u>\$696,823</u>	<u>\$430,549</u>	<b><u>\$1,127,372</u></b>

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 2 inputs).

### 8. Property and Equipment

Property and equipment at June 30, 2022 consist of the following:

	<u>Owned</u>	<u>Government Owned</u>	<u>Total</u>
Land	\$ 6,643,175	\$ -	<b>\$ 6,643,175</b>
Building	7,000,324		<b>7,000,324</b>
Leasehold improvements	3,596,590		<b>3,596,590</b>
Equipment	1,091,022	280,281	<b>1,371,303</b>
Origination fees	<u>127,207</u>	<u>          </u>	<b><u>127,207</u></b>
	18,458,318	280,281	<b>18,738,599</b>
Less: accumulated depreciation	<u>(3,876,830)</u>	<u>(46,960)</u>	<b><u>(3,923,790)</u></b>
	<u>\$14,581,488</u>	<u>\$233,321</u>	<b><u>\$14,814,809</u></b>

continued

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 8. Property and Equipment, continued

Depreciation expense for the year ended June 30, 2022 was \$559,138.

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, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Trade payables	\$ 548,840	\$ 695,461
Due to L.A. County DMH*	<u>5,801,559</u>	<u>6,652,844</u>
	<u>\$6,350,399</u>	<u>\$7,348,305</u>

\*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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Accrued payroll, compensated absences, and related taxes	\$1,799,403	\$1,764,555
Reserve – contract adjustments	1,742,329	1,684,112
Deferred revenue	89,770	320,097
Other current liabilities	<u>214,098</u>	<u>156,182</u>
	<u>\$3,845,600</u>	<u>\$3,924,946</u>

### 11. Concentrations

The Agency's two largest funding sources during the years ended June 30, 2022 and 2021, Early Head Start and L.A. County DMH, represent 33% and 40% of total revenue, respectively.

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 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.

On October 1, 2021, the BBVA USA issued Tax Exempt Revenue Bonds (“Bonds”) to the Agency in the principal amount of \$2,062,000. The bonds bear interest at the lesser of the greater of LIBOR plus 0.75% per annum or 1.50% per annum, with a maturity date of October 2024. The proceeds from the sale of the Bonds were used to purchase real property in Pomona.

Total outstanding Bonds at June 30, 2022 \$8,312,032

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, 2022.

Future maturities of the Bonds are as follows:

<u>Year ending June 30,</u>	
2023	\$ 946,090
2024	956,433
2025	436,778
2026	261,380
2027	261,380
Thereafter	<u>5,449,971</u>
	<u>\$8,312,032</u>

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 13. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 consist of the following:

Purpose and time restrictions	\$ 459,129
Perpetual in nature	<u>666,389</u>
	<u>\$1,125,518</u>

For the year ended June 30, 2022, net assets released from purpose restrictions were \$15,167,819.

#### 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.

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

continued

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 13. Net Assets With Donor Restrictions, continued

The net asset composition of the endowment for the year ended June 30, 2022, is as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Investments	\$686,223	\$635,625	<b>\$1,321,848</b>
Cash		<u>30,764</u>	<u><b>30,764</b></u>
	<u>\$686,223</u>	<u>\$666,389</u>	<u><b>\$1,352,612</b></u>

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.

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

Asset category	<b><u>Minimum</u></b>	<b><u>Maximum</u></b>
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.

continued

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 13. Net Assets With Donor Restrictions, continued

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, 2022, are as follows:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Beginning, July 1, 2021	\$ 865,178	\$683,927	<b>\$1,549,105</b>
Net appreciation (including net realized and unrealized losses)	<u>(178,955)</u>	<u>(17,538)</u>	<u><b>(196,493)</b></u>
Ending, June 30, 2022	<u>\$ 686,223</u>	<u>\$666,389</u>	<u><b>\$1,352,612</b></u>

### 14. 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, 2022:

<u>Year ending June 30,</u>	
2023	\$426,358
2024	<u>127,349</u>
	<u><b>\$553,707</b></u>

Rental expense on all operating leases for the years ended June 30, 2022 and 2021 was \$703,069 and \$765,492, respectively.

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 14. Commitments and Contingencies, continued

#### 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.

The Small Business Administration ("SBA") reserves the right to review any Paycheck Protection Program ("PPP") 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.

#### 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.

### 15. 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, 2022 and 2021, \$97,457 and \$109,183, respectively, has been deferred based on elections made by the Agency.

For the years ended June 30, 2022 and 2021, the total pension expense was \$569,007 and \$628,502, respectively.

# FOOTHILL FAMILY SERVICE

## NOTES TO FINANCIAL STATEMENTS

---

### 16. Recently Issued Accounting Pronouncement

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, 2022

	Program Services						Total Program Services	Management and General	Fund Development	Total
	Mental Health Services	Early Child	Teen Parent Families and Youth Development	Child Abuse Child Welfare	Domestic Violence	Family Counseling				
Salaries	\$ 6,618,200	\$ 3,977,738	\$ 263,399	\$ 1,082,077	\$ 615,237	\$ 383,315	\$ 12,939,966	\$ 2,669,183	\$ 514,454	\$ 16,123,603
Employee benefits	1,808,847	1,088,421	73,267	296,035	168,005	106,420	3,540,995	733,983	141,582	4,416,560
Total personnel costs	8,427,047	5,066,159	336,666	1,378,112	783,242	489,735	16,480,961	3,403,166	656,036	20,540,163
Subcontracts		1,942,086		111,300			2,053,386			2,053,386
Supplies and printing	79,121	1,251,588	31,814	48,989	13,995	6,483	1,431,990	141,307	30,561	1,603,858
Occupancy	518,719	580,760	17,572	94,914	41,035	37,478	1,290,478	223,991	44,827	1,559,296
Professional fees	147,117	649,447	8,585	28,172	16,663	9,500	859,484	118,620	53,081	1,031,185
In-kind expense	43,095	449,270	1,810	68,458	9,160	2,406	574,199		122,624	696,823
Advertising	9,671	566,086	537	1,794	10,229	644	588,961	4,000	530	593,491
Depreciation	255,405	68,674	15,794	65,814	34,786	20,276	460,749	97,553	836	559,138
Contract services	486,468						486,468			486,468
Travel and training	167,361	192,971	11,313	27,572	7,161	1,810	408,188	21	1,369	409,578
Client flex funds	55,944	59,280	2,630	142,709	6,942	838	268,343			268,343
Telephones	89,559	64,198	5,209	19,688	10,851	5,484	194,989	40,390	3,522	238,901
Other expenses	45,143	21,408	634	3,548	1,517	1,230	73,480	36,833	2,507	112,820
Insurance	38,549	32,779	2,166	8,238	4,560	2,588	88,880	18,385	2,901	110,166
Postage	7,215	6,553	806	3,309	884	526	19,293	4,136	599	24,028
Bad debt reserve				159			159		14,000	14,159
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 10,370,414</b>	<b>\$ 10,951,259</b>	<b>\$ 435,536</b>	<b>\$ 2,002,776</b>	<b>\$ 941,025</b>	<b>\$ 578,998</b>	<b>\$ 25,280,008</b>	<b>\$ 4,088,402</b>	<b>\$ 933,393</b>	<b>\$ 30,301,803</b>

See independent auditors' report.