



FOOTHILL FAMILY SERVICE

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

JUNE 30, 2025

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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
Supplementary Information:	
Statement of Functional Expenses by Program	23
Additional Information	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	24-25



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, 2025, 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, 2025, 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 and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matter

Report on Summarized Comparative Information

We have previously audited Foothill Family Service's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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 November 5, 2025, 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 5, 2025

FOOTHILL FAMILY SERVICE

STATEMENT OF FINANCIAL POSITION

For the year ended June 30, 2025

With comparative totals at June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2025	2024
ASSETS				
Cash and cash equivalents (Note 2)	\$ 7,745,474	\$ 338,149	\$ 8,083,623	\$ 8,866,358
Accounts receivables (Note 4)	5,382,765		5,382,765	3,435,780
Pledges receivable (Note 5)	168,717	300,000	468,717	701,701
Prepaid expenses and other current assets	568,526		568,526	402,056
Investments (Note 6)	12,882,045	635,625	13,517,670	12,167,654
Property and equipment (Note 8)	15,123,018		15,123,018	15,807,066
Right-of-use assets - operating leases (Note 14)	1,381,167		1,381,167	1,823,970
TOTAL ASSETS	<u>\$ 43,251,712</u>	<u>\$ 1,273,774</u>	<u>\$ 44,525,486</u>	<u>\$ 43,204,585</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable (Note 9)	\$ 7,567,070	\$ -	\$ 7,567,070	\$ 8,284,189
Accrued and other current liabilities (Note 10)	7,177,961		7,177,961	6,247,225
Government owned assets (Note 8)	1,748,564		1,748,564	1,931,857
Bonds payable (Note 12)	5,791,815		5,791,815	6,067,519
Lease liabilities - operating leases (Note 14)	1,395,828		1,395,828	1,830,505
TOTAL LIABILITIES	<u>23,681,238</u>	<u>-</u>	<u>23,681,238</u>	<u>24,361,295</u>
NET ASSETS				
Without donor restrictions	19,570,474		19,570,474	17,774,412
With donor restrictions (Note 13)		1,273,774	1,273,774	1,068,878
TOTAL NET ASSETS	<u>19,570,474</u>	<u>1,273,774</u>	<u>20,844,248</u>	<u>18,843,290</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,251,712</u>	<u>\$ 1,273,774</u>	<u>\$ 44,525,486</u>	<u>\$ 43,204,585</u>

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

FOOTHILL FAMILY SERVICE

STATEMENT OF ACTIVITIES

For the year ended June 30, 2025

With comparative totals for the year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2025	2024
REVENUE AND SUPPORT				
Program and contracts	\$ 32,403,772	\$ -	\$ 32,403,772	\$ 30,943,813
Contributions	2,158,669	350,000	2,508,669	2,150,698
Investment gain	1,754,316	5,019	1,759,335	1,454,501
In-kind donations (Note 2)	154,722	465,560	620,282	544,446
Special events (net of expenses of \$143,151)	167,868		167,868	246,240
Other income	8,986		8,986	5,923
Net assets released from restrictions (Note 13)	615,683	(615,683)	-	-
TOTAL REVENUE AND SUPPORT	37,264,016	204,896	37,468,912	35,345,621
EXPENSES				
Program services	29,574,371		29,574,371	28,911,137
Management and general	4,629,571		4,629,571	4,447,020
Fund development	1,264,012		1,264,012	1,106,762
TOTAL EXPENSES	35,467,954	-	35,467,954	34,464,919
CHANGE IN NET ASSETS	1,796,062	204,896	2,000,958	880,702
NET ASSETS, BEGINNING OF YEAR	17,774,412	1,068,878	18,843,290	17,962,588
NET ASSETS, END OF YEAR	\$ 19,570,474	\$ 1,273,774	\$ 20,844,248	\$ 18,843,290

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

FOOTHILL FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2025

With comparative totals for the year ended June 30, 2024

	Program Services	Management and General	Fund Development	Total Expenses	
				2025	2024
Salaries	\$ 15,690,215	\$ 3,182,303	\$ 684,156	\$ 19,556,674	\$ 19,848,251
Employee benefits	4,443,679	853,355	192,538	5,489,572	5,450,839
Total personnel costs	20,133,894	4,035,658	876,694	25,046,246	25,299,090
Subcontracts	2,244,109			2,244,109	1,900,838
Supplies and printing	1,924,809	254,553	61,835	2,241,197	1,212,048
Professional fees	1,430,707	8,419	92,033	1,531,159	1,558,661
Occupancy	1,111,351	161,393	38,537	1,311,281	1,427,762
Other expenses	700,209	9,470	22,927	732,606	719,390
In-kind expense	465,560		154,722	620,282	544,446
Depreciation	466,561	90,726	1,304	558,591	585,863
Travel and training	352,231		2,882	355,113	377,059
Telephones	203,518	41,930	5,846	251,294	300,055
Mileage	207,033	31	2,097	209,161	211,560
Advertising	202,041	90	1,268	203,399	195,630
Insurance	132,348	27,301	3,867	163,516	132,517
TOTAL 2025 FUNCTIONAL EXPENSES	\$ 29,574,371	\$ 4,629,571	\$ 1,264,012	\$ 35,467,954	
TOTAL 2024 FUNCTIONAL EXPENSES	\$ 28,911,137	\$ 4,447,020	\$ 1,106,762		\$ 34,464,919

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

FOOTHILL FAMILY SERVICE

STATEMENT OF CASH FLOWS

For the year ended June 30, 2025

With comparative totals for the year ended June 30, 2024

	2025	2024
CASH FLOWS (TO) FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,000,958	\$ 880,702
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	558,591	585,863
(Gain) on investments	(1,619,898)	(1,298,425)
Reinvested dividends and interests, net of fees	(139,501)	(156,076)
Loss (gain) on sale of property and equipment	4,686	-
(Increase) decrease in operating assets:		
Accounts receivable	(1,946,985)	906,018
Pledge receivables	232,984	(135,266)
Prepaid expense and other current assets	(166,470)	(8,925)
Amortization of right-of-use assets - operating leases	465,648	434,009
Increase (decrease) in operating liabilities:		
Accounts payable	(717,119)	972,857
Accrued expenses and other liabilities	930,736	1,645,851
Government owned assets	(183,293)	(292,109)
Reduction of lease liabilities - operating leases	(457,522)	(429,838)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(1,037,185)	3,104,661
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	409,383	121,405
Proceeds from sale of property and equipment	-	2,723
Proceeds from government owned assets	183,293	292,109
Purchase of property and equipment	(62,522)	(265,674)
NET CASH PROVIDED BY INVESTING ACTIVITIES	530,154	150,563
CASH FLOWS TO FINANCING ACTIVITIES:		
Payments on bonds payable	(275,704)	(523,013)
NET CASH (USED) BY FINANCING ACTIVITIES	(275,704)	(523,013)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(782,735)	2,732,211
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,866,358	6,134,147
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,083,623	\$ 8,866,358
SUPPLEMENTAL DISCLOSURES:		
Operating activities reflects interest paid of	\$ 216,266	\$ 217,984
NON-CASH OPERATING ACTIVITIES:		
Right-of-use assets and lease liabilities from addition/modification of leases - operating leases	\$ 22,845	\$ 924,834

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

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

1. Organization

For more than 98 years, Foothill Family Service (“the Agency”) has served Southern California in its mission to empower children and families on their journey to achieve personal success through community education and outreach, mental health, early childhood development, and a broad range of social services envisioning generations of healthy families and thriving communities. 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.

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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.

Accounts Receivable

Accounts receivable are recorded when earned and represent services provided to third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions.

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.

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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, 2025, 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.

continued

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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).

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, 2025, consist of the following:

<u>Nonfinancial Assets</u>	<u>June 30, 2025</u>	<u>Usage in Programs</u>	<u>Donor Restrictions</u>	<u>Fair Value Techniques</u>
Supplies	\$154,722	All programs	None	Estimated retail prices of identical or similar products if purchased
Volunteered time	<u>465,560</u>	EHS, CHAT, Elder Abuse	EHS, CHAT, Elder Abuse	Estimated based on market rates of equivalent job title
	<u>\$620,282</u>			

continued

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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.

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Leases

The Agency applies Accounting Standards Codification (“ASC”) 842, *Leases*, in determining whether an arrangement is or contains a lease at the lease inception. An arrangement is considered to include a lease if it conveys the right to control the use of identified property, plant, or equipment for a period of time in excess of twelve months in exchange for consideration. The Agency defines control of the asset as the right to obtain substantially all of the economic benefits from use of the identified asset as well as the right to direct the use of the identified asset. The Agency further determined some existing leases are operating leases, which are included in Right-of-Use (“ROU”) assets and lease liabilities in the Statement of Financial Position.

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, 2024, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through November 5, 2025, 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.

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources, continued

As of June 30, 2025, 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	\$ 8,083,623
Investments	13,517,670
Accounts receivable	5,382,765
Pledges receivable	<u>468,717</u>
Total financial assets	27,452,775
Less: amounts not available to be used with one year:	
Endowment assets	(681,574)
Pledge collectible in one to five years	<u>(300,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$26,471,201</u>

4. Accounts Receivables

Accounts receivables at June 30, 2025 and 2024, consist of the following:

	<u>2025</u>	<u>2024</u>
Contract receivables	\$4,074,917	\$2,127,057
Patient receivables	1,830	775
Due from L.A. County		
Department of Mental Health ("DMH")	<u>1,306,198</u>	<u>1,308,268</u>
	5,382,945	3,436,100
Less: allowance for uncollectible accounts	<u>(180)</u>	<u>(320)</u>
	<u>\$5,382,765</u>	<u>\$3,435,780</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, 2025 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2025. Using a rate of 3%, the discount on pledges receivable is immaterial, accordingly unamortized discount on pledges receivable is not recorded. Pledges receivable of \$468,717 at June 30, 2025 are expected to be collected as follows:

Within one year	\$168,717
One to five years	<u>300,000</u>
	<u>\$468,717</u>

continued

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

6. Investments

Investments at June 30, 2025 and 2024, consist of the following:

	<u>2025</u>	<u>2024</u>
Mutual funds	\$ 2,700,740	\$ 5,885,493
Exchange traded funds	<u>10,816,930</u>	<u>6,282,161</u>
	<u>\$13,517,670</u>	<u>\$12,167,654</u>

Investment income for the years ended June 30, 2025 and 2024 consists of the following:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 295,386	\$ 288,711
Unrealized gain	<u>1,463,949</u>	<u>1,165,790</u>
	<u>\$1,759,335</u>	<u>\$1,454,501</u>

7. Fair Value Measurements

The table below presents the balances of assets measured at fair value at June 30, 2025 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 2,700,740	\$ -	\$ -	\$ 2,700,740
Exchange traded funds	<u>10,816,930</u>	<u> </u>	<u> </u>	<u>10,816,930</u>
	<u>\$13,517,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$13,517,670</u>

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, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pledged contributions - new	\$ -	\$ -	\$403,716	\$ 403,716
Donated materials and services	<u> </u>	<u>620,282</u>	<u> </u>	<u>620,282</u>
Total investments	<u>\$ -</u>	<u>\$620,282</u>	<u>\$403,716</u>	<u>\$1,023,998</u>

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).

continued

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

8. Property and Equipment

Property and equipment at June 30, 2025 consist of the following:

	<u>Owned</u>	Government <u>Owned</u>	<u>Total</u>
Land	\$ 6,643,175	\$ -	\$ 6,643,175
Building	7,000,324		7,000,324
Leasehold improvements	3,951,859		3,951,859
Equipment	773,515	578,238	1,351,753
Construction in progress	17,778	1,882,943	1,900,721
Origination fees	<u>120,207</u>		<u>120,207</u>
	18,506,858	2,461,181	20,968,039
Less: accumulated depreciation	<u>(5,251,285)</u>	<u>(593,736)</u>	<u>(5,845,021)</u>
	<u>\$13,255,573</u>	<u>\$1,867,445</u>	<u>\$15,123,018</u>

Depreciation expense for the year ended June 30, 2025 was \$558,591.

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, 2025 and 2024, consist of the following:

	<u>2025</u>	<u>2024</u>
Trade payables	\$ 13,571	\$ 534,199
Due to L.A. County DMH*	<u>7,553,499</u>	<u>7,749,990</u>
	<u>\$7,567,070</u>	<u>\$8,284,189</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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Accrued payroll, compensated absences, and related taxes	\$1,976,914	\$2,032,242
Reserve – contract adjustments	3,148,997	3,245,527
Deferred revenue	1,233,781	484,228
Other current liabilities	<u>818,269</u>	<u>485,228</u>
	<u>\$7,177,961</u>	<u>\$6,247,225</u>

continued

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

11. Concentrations

The Agency's two largest funding sources during the years ended June 30, 2025 and 2024, Early Head Start and L.A. County DMH, represent 26% and 39% 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 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, 2025 \$5,791,815.

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, 2025.

Future maturities of the Bonds are as follows:

<u>Year ending June 30,</u>	
2026	\$ 281,670
2027	279,919
2028	281,854
2029	1,998,495
2030	200,012
Thereafter	<u>2,749,865</u>
	<u>\$5,791,815</u>

continued

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

13. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2025 consist of the following:

Purpose and time restrictions	\$ 592,200
Perpetual in nature	<u>681,574</u>
	<u>\$1,273,774</u>

For the year ended June 30, 2025, net assets released from purpose restrictions were \$615,683.

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, 2025, is as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Investments	\$1,123,489	\$635,625	\$1,759,114
Cash		45,949	45,949
	<u>\$1,123,489</u>	<u>\$681,574</u>	<u>\$1,805,063</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	<u>Minimum</u>	<u>Maximum</u>
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, 2025, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Beginning, July 1, 2024	\$ 947,331	\$676,678	\$1,624,009
Net appreciation (including net realized and unrealized gains)	<u>176,158</u>	<u>4,896</u>	<u>181,054</u>
Ending, June 30, 2025	<u>\$1,123,489</u>	<u>\$681,574</u>	<u>\$1,805,063</u>

14. Right-of-Use Assets and Lease Liabilities - Operating Leases

The Agency evaluated current office and equipment contracts to determine which met the criteria of a lease. The ROU assets represents the Agency's right to use underlying assets for the lease term and the lease liabilities represent the Agency's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Agency made an election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease terms, in the calculations, may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Agency's operating leases consist of real property and office equipment.

The ROU assets and lease liabilities for these were determined based on the current terms in force as of June 30, 2025. No additional options have been included.

continued

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

14. Right-of-Use Assets and Lease Liabilities - Operating Leases, continued

Cash paid for operating leases for the year ended June 30, 2025 was \$520,484. There were no noncash investing and financing transactions related to leasing other than the transition entry. For the year ended June 30, 2025, the weighted average of discounted rate is 3.33%, and the weighted average of remaining leases term is approximately 3.10 years.

Future maturities of the lease liabilities are as follows:

<u>Year ending June 30,</u>	
2026	\$ 526,718
2027	507,413
2028	307,065
2029	157,053
2030	5,141
Thereafter	<u>1,571</u>
Total lease payments	1,504,961
Less: present value discount	<u>(109,133)</u>
	<u>\$1,395,828</u>

The underlying ROU assets related to the above liabilities is as follows:

ROU asset balance at July 1, 2024	\$1,823,970
Add: modification of existing leases	22,845
Less: amortization of ROU	<u>(465,648)</u>
ROU asset balance at June 30, 2025	<u>\$1,381,167</u>

Rental expense on all operating leases for the years ended June 30, 2025 and 2024 was \$448,053 and \$509,218, respectively.

continued

FOOTHILL FAMILY SERVICE

NOTES TO FINANCIAL STATEMENTS

15. Contingencies and Risks

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.

Litigation

In the normal course of business, the Agency may be subject to litigation and claims, and is periodically examined by regulatory agencies. After consultation with legal counsel, management believes that any probable and measurable liabilities arising from such matters have been properly recorded in the statements of financial position within accounts payable and accrued liabilities.

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 Internal Revenue Service 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, 2025 and 2024, \$109,697 and \$103,704, respectively, has been deferred based on elections made by the Agency.

For the years ended June 30, 2025 and 2024, the total pension expense was \$709,005 and \$713,882, respectively.

SUPPLEMENTARY INFORMATION

FOOTHILL FAMILY SERVICE

STATEMENT OF FUNCTIONAL EXPENSES BY PROGRAM

For the year ended June 30, 2025

	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	Program Development				
Salaries	\$ 7,684,608	\$ 4,217,270	\$ 650,141	\$ 1,117,287	\$ 771,648	\$ 811,802	\$ 437,459	\$ 15,690,215	\$ 3,182,303	\$ 684,156	\$ 19,556,674
Employee benefits	2,161,574	1,211,667	186,355	324,850	217,114	226,348	115,771	4,443,679	853,355	192,538	5,489,572
Total personnel costs	9,846,182	5,428,937	836,496	1,442,137	988,762	1,038,150	553,230	20,133,894	4,035,658	876,694	25,046,246
Subcontracts		2,157,320		70,289			16,500	2,244,109			2,244,109
Supplies and printing	251,754	1,399,084	80,064	154,961	17,986	20,054	906	1,924,809	254,553	61,835	2,241,197
Professional fees	870,953	386,416	34,628	41,999	30,874	64,088	1,749	1,430,707	8,419	92,033	1,531,159
Occupancy	501,625	421,695	23,026	60,880	27,918	73,396	2,811	1,111,351	161,393	38,537	1,311,281
Other expenses	437,269	105,405	10,395	126,223	4,908	15,767	242	700,209	9,470	22,927	732,606
In-kind expense		465,560						465,560		154,722	620,282
Depreciation	301,499	45,260	15,952	52,139	17,963	32,360	1,388	466,561	90,726	1,304	558,591
Travel and training	76,107	166,348	59,680	21,219	5,077	23,624	176	352,231		2,882	355,113
Telephones	101,108	58,909	8,265	14,257	10,496	9,987	496	203,518	41,930	5,846	251,294
Mileage	93,781	78,417	7,928	22,366	1,510	2,999	32	207,033	31	2,097	209,161
Advertising	49,928	119,641	5,842	18,061	2,314	4,327	1,928	202,041	90	1,268	203,399
Insurance	64,451	38,500	5,937	9,327	6,968	6,793	372	132,348	27,301	3,867	163,516
TOTAL FUNCTIONAL EXPENSES	\$ 12,594,657	\$ 10,871,492	\$ 1,088,213	\$ 2,033,858	\$ 1,114,776	\$ 1,291,545	\$ 579,830	\$ 29,574,371	\$ 4,629,571	\$ 1,264,012	\$ 35,467,954

See independent auditors' report.

ADDITIONAL INFORMATION



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Foothill Family Service

We have audited, in accordance with the 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, the financial statements of Foothill Family Service, which comprise the Statement of Financial Position as of June 30, 2025, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foothill Family Service's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foothill Family Service's internal control. Accordingly, we do not express an opinion on the effectiveness of Foothill Family Service's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***
continued

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foothill Family Service's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California
November 5, 2025